



**SHAPING UP:**  
*A Whitehall for the Future*

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**INSTITUTE  
FOR  
GOVERNMENT**



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# What we did

The core research for this report consists of 61 structured interviews with senior civil servants, most of them at director general level. The interviews often covered multiple subjects, so many participants have contributed comments to more than one section of the report.

The research team visited four countries – Canada, Finland, France and the Netherlands – to compare the UK's current administrative arrangements with other successful nations. We also looked at Australia and New Zealand in our comparisons.

We conducted extensive literature and evidence reviews for each section, and collated and analysed a range of departmental and international performance data. Much of the data we gathered can be found in our interim report, *The State of the Service*.

Below, we set out summaries of our methodology for each chapter:

**A strategic centre.** This chapter is based on interviews with 38 senior civil servants, nine of them working in either the Cabinet Office and the Treasury, and the rest employed in line departments. In addition, the HR section of the report is informed by interviews with six experts from outside the civil service. The IT section is a brief summary of the Institute's *Installing New Drivers* report.

**Better boards.** This chapter is based on interviews with 25 executive members of Whitehall boards and depth interviews with 14 non-executive directors. To determine how boards focused their efforts, we carried out an analysis of board meeting minutes from 2005 to 2008 for a sample of seven departments. This data was then compared to measures of board performance to determine whether there was any relationship between focus and success as judged by capability review leadership scores and staff confidence in senior leadership. Finally, we observed three Whitehall board meetings.

**More effective collaboration.** This chapter is based on interviews with 18 senior civil servants responsible for cross-cutting public service agreements and 12 interviews with officials representing cross-departmental government bodies, such as the Office for Criminal Justice Reform, or working with cross-cutting budgetary arrangements. We also carried out a network analysis of joining up in Whitehall, examining how departments contributed to shared Public Service Agreement targets.

# Foreword

The challenges currently facing Britain's public sector will require a wide-ranging reassessment of how Whitehall is governed. Over the last nine months, the Institute has done exactly that. *State of the Service*, a benchmarking exercise published in July 2009, provided an initial assessment of Whitehall's capability in an international context. The findings of that interim report pointed to a significant challenge: a strategy gap exists at the heart of British government.

This publication builds on our interim report, moving from a wide-angle view of Whitehall capabilities, to an in-depth study of strategy, governance and cross-departmental coordination. Based on 61 interviews with senior civil servants, this report aims to address some of the crucial governance dilemmas that hinder public sector performance, and ultimately lead to suboptimal outcomes for citizens.

We identify three key challenges to building a better civil service and set out potential solutions for discussion. First, government must increase strategic capacity at the centre. Whitehall's central departments have little capacity to create and maintain a 'whole of government' strategy that sets out priorities for an entire parliamentary term. Second, governance within departments remains variable across the civil service. Many departmental boards have yet to develop a clear leadership and oversight role, which has invited interference from the centre. Third, mechanisms for coordinating policy and delivery between departments are still dominated by siloed thinking, making it difficult to manage cross-cutting policy issues.

All three challenges need to be addressed together; 'total government' requires a total solution. A strategy-focused centre requires departments that are still more focused on driving up their own performance. But without effective coordination between departments, government will remain ill-equipped to realise the effectiveness, efficiency and innovation that can flow from 'joining up'.

Our recommendations broadly outline an approach to reforming the centre of government that has the potential to improve implementation, reduce bureaucratic duplication and provide clear strategic objectives across the public sector. I hope we have been able to make some challenging suggestions, which, if implemented, will lead to a more coherent and effective system of governing. The overarching objective of the Institute is to inspire the best in government through considered analysis, learning and debate. I hope you find this report a worthy contribution to that mission.

Sir Michael Bichard

Executive Director, Institute for Government

# Executive summary

The office of the British Prime Minister holds a concentration of formal power greater than that of almost any other country in the developed world. In contrast, the fragmentation and lack of coordination at the centre of the civil service – the Treasury, Number 10 and the Cabinet Office – leads to an administrative centre that is relatively weak.<sup>1</sup> This curious situation has created a strategic gap at the heart of British government, which inhibits the ability to set overall government priorities and translate them into action.

The need to close this gap is especially pressing because of the current political and economic context. Whitehall faces a pivotal moment, standing at the juncture of a general election, with the deficit at a historic level and increasing public expectations for better services. How can it meet these challenges while preserving its current strengths?

This report provides an 'insider's view' of the challenges facing government, and sets out potential solutions. Based on our own analysis and more than 60 anonymous interviews with senior civil servants, we identify three key challenges:

- **The strategy challenge:** the centre (Cabinet Office and HM Treasury) needs to refocus on its core value-adding role of coordinating strategy across government.
- **The governance challenge:** a more strategic centre requires departments capable of holding *themselves* to account – a role that departmental boards have yet to adequately deliver on.
- **The collaboration challenge:** long-standing efforts to join up the work of departments must move from aspiration to reality through new governance arrangements.

## A strategic centre

Of the director general level civil servants we interviewed, over half felt the Cabinet Office should be more active in providing strategic leadership on joined-up issues. We define 'strategic leadership' as the process of setting clear priorities, linking those priorities to funding, collaborating with departments to draw up work plans, and performance managing the most important goals.

We recommend that the Cabinet Office should support the Cabinet and Prime Minister in developing and implementing a 'whole of government' framework for

<sup>1</sup> This case was made in our interim report, and in OECD research which shows that only the British and Australian Prime Ministers have the power to set performance targets. For more information, see Parker et al (2009), *State of the Service* and OECD (2008), 'International budget practices and procedures database'

each parliamentary term, which would set out no more than 20 key goals. The Treasury would refocus on the tight control of finances and fiscal consolidation, while allowing departments space to innovate in order to achieve government's priorities.

The government's strategic goals would form the basis of future spending allocations – with departments encouraged to bid jointly for any new spending – as well as the legislative programme and organisational development work. Departments would create their own business plans setting out how they will manage their responsibilities and spelling out clearly how their work aligns with the government's overall strategic framework.

## Better Governance

With direction set, each department needs to be well governed so that it can play its part in achieving the government's goals. Capability reviews and staff surveys show that the quality of leadership varies widely across Whitehall – at one end of the spectrum, less than 30% of staff at DEFRA think the department is well run, compared to two-thirds at DfID.<sup>2</sup> If departments can deliver stronger governance through more effective boards, then the case for central micro-management diminishes.

Whitehall boards are at the heart of this leadership question. They bring together senior officials with external 'non-executive directors'. Our research shows that the best boards focus heavily on performance management and meet regularly with ministers to shape joint strategy. We recommend that all boards should place a greater emphasis on performance and financial management. Departments should also create a new strategy board: joining the management board and ministerial team, chaired by the Secretary of State, and focusing on policy and strategy development.

## Delivering joined up government

Whitehall is not a unitary entity but a federation of departments: it is designed predominantly along departmental lines for the purposes of budget allocation, accountability and career development. This fragmentation is reproduced at the local level, replicating these problems at the frontline.

This means that vital, cross-cutting issues such as social exclusion or childhood obesity can fall through the gaps. The resulting duplication of efforts can waste resources, and citizens can suffer from fragmented public services. These 'wicked' issues cost tax payers billions of pounds annually. For example, alcohol abuse costs the government £2.7 billion in health costs, £15 billion in policing and crime costs and the wider economy £7.3 billion in productivity costs.<sup>3</sup>

The civil servants we interviewed told us that while government is getting better at joining up, there remains a long way to go. We recommend that the government should address this problem by: making changes to appraisal and line management arrangements to create stronger incentives to collaborate; facilitating the sharing of information and other resources; and appointing a small number of Secretaries of State who are directly responsible for the most important cross-cutting issues, sitting outside departments but with their own pooled budgets. This last recommendation should not be used as a way to create more ministers overall, nor should cross-cutting ministers necessarily be based

<sup>2</sup> Parker et al (2009), *State of the Service*

<sup>3</sup> Balakrishnan et al (2009), 'The burden of alcohol-related ill health in the United Kingdom'

in the Cabinet Office. We would also like to see the top Permanent Secretaries from across Whitehall (perhaps through the Civil Service Steering Board) take greater collective ownership for cross-cutting issues, including responsibility for the delivery of the government's top strategic goals.

## The road ahead

The future we envisage requires that a complex set of balances be struck. The centre must do more to set out strategic priorities for government, but step back from micro-managing policy and delivery. It must keep control of the overall public finances, while encouraging innovation within and across departments to find productivity improvements. The centre must also help departments to strengthen their internal governance while encouraging and facilitating collaboration across boundaries.

Whitehall has already seen important positive reforms over the past decade. These include the advent of three-year spending reviews to extend time horizons; capability reviews to increase self-critical appraisal; increasingly sophisticated public service agreements to encourage cross-cutting working; and innovations in the Cabinet Committee system such as the creation of the National Economic Council.

As the government tackles the fiscal challenge, the shape and size of Whitehall will need to change even more profoundly over the coming years. The political, public and even a growing administrative consensus is for a shift to a significantly smaller civil service, with more devolution of power to markets, communities and individuals. Our recommendations are designed to help prepare ministers and their officials for the tough times ahead.

### Shaping Up: Blueprint for the future of government

#### 1) A stronger more focused centre

- The centre of government (Cabinet Office, HM Treasury and Number 10) needs fewer ad hoc functions to become smaller, more strategic and more internally joined-up.
- With the support of the Cabinet Office and a new strategy directorate, the Cabinet must develop a whole of government strategy, with no more than 20 shared key outcome goals, which departments then incorporate into their own business plans.
- The government's strategy should be collectively owned by all permanent secretaries, led by the Cabinet Secretary. A core group of the most senior officials should form a strategic board for the whole of government (building on the existing framework of the Civil Service Steering Board), and should meet regularly to discuss and monitor the implementation of the strategy.
- The Treasury will focus on resource allocation, providing innovative support and challenge to departments, and move away from direct involvement in policy development and delivery.

## **2) Well managed departments**

- Departments should be led by strategy boards, which will bring together top officials, non-executive directors and the ministerial team to develop policy and long-term strategy for departments. Strategy boards would be chaired by the Secretary of State who should have the ability to challenge the board on policy direction.
- Management boards, chaired by the permanent secretary, would focus on delivery, performance management, finance and corporate performance.
- Independent non-executive directors should be given a thorough induction when appointed and supplied with accurate information on the performance of the department. This will allow them to be used effectively in evaluating and challenging policy implementation, as well as participating in the performance appraisals of senior officials.
- Boards should continue to improve their effectiveness through well structured evaluation and development programmes.

## **3) Better joined up government**

- Collaboration must be a priority of government, backed by the allocation of budgets to cross-cutting goals, in particular to top priorities established during the development of government's strategic framework.
- A small number of Secretaries of State should be appointed outside of the departmental framework and given ownership of top strategic goals, with control of pooled budgets to support delivery.
- To reduce the transaction costs of collaboration, government should increase standardisation of information and HR systems.
- To shift officials' incentives away from a focus on narrow departmental concerns, line management, appraisal systems and departmental capability reviews should put more emphasis on collaborative behaviour.
- To increase the pressure on government to concentrate on cross-cutting issues, Parliament should have more select committees that cut across departmental boundaries, and the Public Accounts Committee in particular should give more attention to cross-cutting themes.

# Introduction

“ Prime Ministers are grappling with the same thing, which is how you try to get some strategic direction to a government that is run on a departmental basis in facing an external environment. We have not got the answer to that. ”

*Tony Wright MP, chair of the Public Administration Select Committee, 2009*<sup>4</sup>

There is a gap at the centre of Whitehall – a conspicuous lack of a single coherent strategy for government as a whole. The central departments – No 10, the Cabinet Office and Treasury<sup>5</sup> – are run by powerful politicians, yet lack effective administrative tools to manage cross-government working. Departments are powerful, but the quality of their leadership is variable and civil servants often find it difficult to work across boundaries. This means the ministries of state are not coordinated as effectively as they should be. The daunting financial and managerial challenges now facing British government heighten the need for change.

This report explores the options for improving Whitehall’s strategic leadership and governance, by which we mean the process of setting clear priorities, linking those priorities to funding, collaborating with departments to draw up work plans, and performance managing the most important goals. Drawing on 61 interviews with the most senior civil servants in central government, we provide a unique perspective on how to lead the great departments of state through the tough times ahead.

We do this by addressing the three key opportunities for improvement that the Institute for Government identified in *The State of the Service*, a major benchmarking exercise of Whitehall’s performance and prospects for improvement published in 2009:<sup>6</sup>

- First, and most fundamental, is the need to provide stronger leadership from the departments at the centre of government. Seen in international comparison, Whitehall’s corporate centre is unexpectedly small and in some respects surprisingly weak. Civil servants are often unclear about how the centre adds value to the work of line departments.
- The second challenge is to improve the leadership and governance of departments themselves. Departments need to further strengthen their ability to manage their own performance. Current governance

<sup>4</sup> Wright (2009). Evidence to the Lords Constitution Committee’s Cabinet Office Inquiry

<sup>5</sup> In this report, we generally use ‘the centre’ to refer specifically to Downing Street (or No 10), the Cabinet Office and Treasury.

<sup>6</sup> Parker et al (2009). *State of the Service*

arrangements – namely departmental boards – have yet to establish a clear role in adding value to the work of their ministries.

- Finally, Whitehall must increase its capacity for joining up. Government is primarily organised along departmental lines: targets, accountability regimes and resource allocation mechanisms are largely designed around siloed ways of working. This makes it harder to innovate across organisational boundaries and to manage cross-cutting policy.

These challenges may seem like a trilemma – a problem where the best we can ever hope to achieve is two out of three desirable goals. Stronger central departments can obviously be combined with greater joining up, but can both of these things be combined with strong departmental governance? At the heart of our argument lies the conviction that greater strength for the centre need not mean less power or weaker governance for departments. On the contrary, initiatives such as capability reviews show that high-performing departments are more likely to emerge in the context of clear and coherent direction and leadership from the centre.

## Under pressure

In one sense, the above problems may seem esoteric – directly affecting a few thousand London-based senior civil servants and politicians. But the way that members of this group relate to one other, and the decisions they take, have major repercussions for public services and people across the country. Poor coordination at the centre makes it hard for government to focus on the many problems such as drug abuse that cross departmental boundaries. Silos at the centre all too easily replicate themselves on the ground, while a single target set in Whitehall can turn into ten by the time it reaches the front line.<sup>7</sup>

These problems are reason enough to reform Whitehall governance, but there are further powerful pressures for change in the UK's central state. Britain is currently witnessing a major, cross-party shift in attitudes towards public service reform. The 'command and control' approach attributed to the Blair governments has fallen out of favour as a result of both its own inherent limitations and the pressures for smaller – or at least 'smarter' – government created by the country's £90bn structural deficit.<sup>8</sup>

Politicians have reached a high-level consensus about three key aspects of reform – although they disagree passionately about how best to implement them. First, government will have to be cheaper.<sup>9</sup> Whitehall faces calls for headcount reductions, with Labour promising to cut the size of the senior civil service and the Conservatives pledging to reduce the civil service as a whole by a third.<sup>10</sup> Further down the delivery chain, local authorities are preparing for cuts of up to 20% of their budgets.<sup>11</sup>

Second, political parties broadly agree on the need to empower citizens to have more choice over, and greater responsibility for, the services they receive through mechanisms such as personal budgets in social care or payment by results mechanisms in the NHS<sup>12</sup> – although they clearly disagree about the details and affordability of such reforms. They also agree that many of the key

<sup>7</sup> Micheli and Neely (forthcoming), 'Performance measurement in the public sector in England'

<sup>8</sup> McCrae and Myers (2009), *Undertaking a Fiscal Consolidation*

<sup>9</sup> See for instance HM Government (2009), *Putting the Frontline First*; and Hammond (2009), *Doing More With Less*

<sup>10</sup> HM Government (2009), *Putting the Frontline First*; and Osborne (2009), 'We will lead the economy out of crisis'

<sup>11</sup> Ilman (2009), 'Funding cuts dictate the agenda'

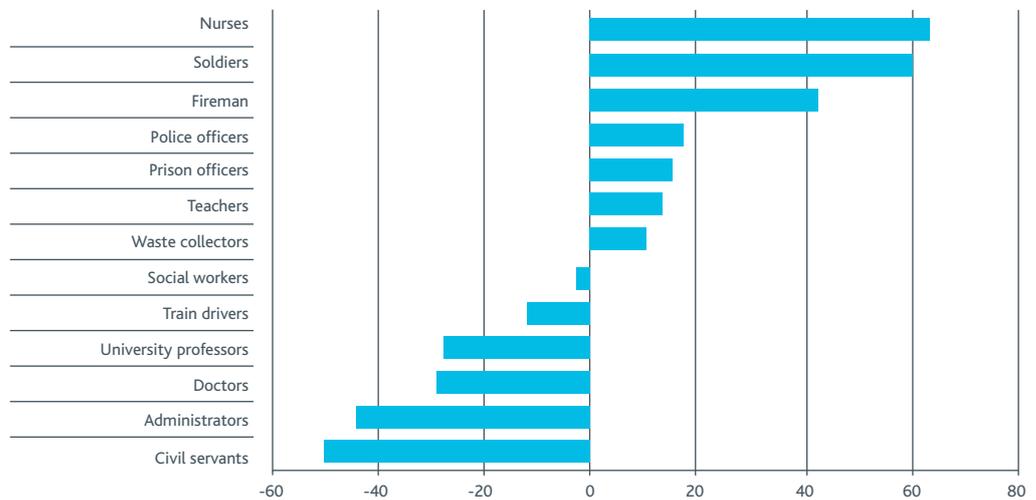
<sup>12</sup> For instance, Cameron (2009), 'Ensuring the NHS delivers rising standards of healthcare'

challenges faced by society are 'wicked problems' – problems such as child obesity or social exclusion – that don't fit tidily within the Victorian boundaries of government departments.

Finally, all the major parties are broadly agreed on the need for greater devolution to localities, though once again they differ in the detail of their accounts.<sup>13</sup> All have a common narrative about moving decision-making closer to the 'front line'. This thinking is backed by public opinion, which points to a desire to see more public sector employees at the coal face, and a drastically reduced number of civil servants (see Figure 1).

This suggests a Whitehall that is smaller, more efficient, and focused on designing markets and regulating a highly diverse and fragmented set of public service institutions. This in turn suggests that central government will need to take on a different role, with a different management style.

**Figure 1: Public opinion on whether we need more or fewer public sector employees**



Source: Policy Exchange research, 2009

Rather than focusing on the management of 'delivery', as they have for much of the last decade, Whitehall will have to grasp a new role as the guardian of coherence, providing clear priorities and leadership to increasingly complex, fragmented and sometimes messy systems for delivery and co-production.

### The challenge of strategic leadership

Providing this kind of strategic leadership in Whitehall is remarkably difficult. Seen in an international context, the UK's model of government emphasises both a strong Prime Minister and strong departments with wide-ranging autonomy to spend budgets, recruit employees and manage delivery systems.<sup>14</sup> There are advantages to this model: the theory – sometimes realised in practice – is that high levels of freedom allow departments to be innovative and efficient under the guidance of a strong central strategist.

<sup>13</sup> For instance, Conservative local government policy can be found here: [www.conservatives.com/Policy/Where\\_we\\_stand/Local\\_Government.aspx](http://www.conservatives.com/Policy/Where_we_stand/Local_Government.aspx) accessed 8/12/09, and Labour policy can be found here: [www.communities.gov.uk/speeches/corporate/rsaevent2009](http://www.communities.gov.uk/speeches/corporate/rsaevent2009), accessed 22/12/09

<sup>14</sup> Parker et al (2009), *State of the Service*

But, as this report will show, the flipside of strong line ministries is a set of central institutions – No 10, the Cabinet Office and the Treasury – which possess few tools beyond the brute force of political edict to make sure that a fragmented government adds up to more than the sum of its parts.

The incentives and accountability of civil servants exist principally at the departmental, rather than the 'whole of government', level. Ministries have a natural tendency to work as silos, competing against each other for authority and funding. Permanent secretaries are primarily accountable to their secretary of state and when they appear before parliament, it is in their role as departmental accounting officer.

Public service agreements, policed by the Prime Minister's Delivery Unit, do offer a way for the central departments to hold ministries to account for outputs but these targets are frequently missed with little consequence for the officials responsible.

This situation has been created by an incomplete process of civil service reform that has emphasised devolution of management and budget control to departments. The new public management trend from the 1980s onwards was for the centre of government to trade control of inputs for control of outputs or outcomes. Bureaucrats would be held to account by ministers for meeting clear goals, and in return permanent secretaries would gain greater freedom to manage as they saw fit.

This shift towards greater freedom to manage continues to yield real benefits for government, but in practice, the tough public accountability needed to balance managerial flexibility never materialised, and no convincing alternative was developed.<sup>15</sup> In crude terms, there has sometimes been a diffusion of responsibility such that, in true 'Yes Minister' style, those who lead departments can claim accountability to everyone and no one.

It is important to draw a distinction between constitutional formalities and practical reality. Successive cabinet secretaries have tried to address the problem of accountability through 'soft power', using their personal authority to drive change. The incumbent, Sir Gus O'Donnell, regularly appraises permanent secretaries, assessing their performance against departmental performance targets to determine their bonuses. His Capability Review programme has driven improvements in Whitehall management and created a sharper form of accountability to the centre.

But in many areas, the main force that the centre can wield against the power of departments is the power to facilitate collective decision-making. As one senior Cabinet Office official told us: "Permanent secretaries have fought for a lot of devolution down to departments, so within that context I think the Cabinet Office performs pretty effectively. Do I think that's the right model for the civil service? No I don't."

<sup>15</sup> Ibid

## The politics of strategic leadership

Effective strategic leadership in government cannot be achieved by civil servants alone. Politicians have to want to behave strategically as well, but their space for considering the long term and cross-departmental is arguably limited by the demands of an adversarial political system, the desire to make a quick impact before moving on to the next rung on the ministerial ladder, and the demands of the 24-hour news media.

That said, the last decade has seen a significant and somewhat successful attempt to bring strategic thinking into the centre of government. The most obvious example of this was the evolution of the Prime Minister's Strategy Unit, which provides forward-looking advice to the PM and has a mandate to focus on 'the important rather than the urgent'. The other key innovation has been the development of medium-term target setting through spending reviews, with the current 30 public service agreements themselves framing a strategy of sorts.

As we shall see, these innovations have some important limitations. But while marrying strategic, cross-cutting thinking with the short-term demands of politics will always be a challenge, the evidence of the past decade suggests that progress can be made. An ambitious administration that values strategic thinking should be able to push further. Perhaps the best argument for taking the longer view in politics comes from the former Strategy Unit director, Geoff Mulgan:

*Often being strategic rubs up against the pressure of events and personalities. But governments' usual optical distortion is that they overestimate the impact of short-term measures and underestimate how much can be changed over the longer term, with well-judged policies informed by hard evidence.<sup>16</sup>*

## Addressing the challenges

Using a broad international evidence base complemented by interviews with 61 senior civil servants, this report makes recommendations that seek to address the challenges identified above.

Chapter 1 sets out the case for reforming the Cabinet Office, highlighting a lack of clarity about its role in government and calling for it to be streamlined into a 'department for strategy and capability'. A revamped Cabinet Office would work collaboratively with the Prime Minister, Cabinet and departments to help develop and implement a whole of government strategic framework. Such a framework would set out the government's 20 or so top priorities over a parliamentary term, providing a basis for conversations with departments about allocating money, political capital and legislative time. The Cabinet Office should lead this process in a collaborative way, without imposing its will upon departments.

Chapter 2 sets out the case for more effective governance arrangements within departments themselves. We argue that many departmental boards have yet to grasp a clear role in leading their ministries. They could be improved through a greater focus on performance management and the creation of new, ministerially chaired, strategy boards to set direction and oversee the implementation of policy.

<sup>16</sup> Mulgan (2008), *Art of Public Strategy*

Finally, Chapter 3 sets out the case for better joining up across departmental boundaries. Progress has been made in this area, but there is still a long way to go. We identify a range of barriers that raise the costs of cross-departmental working and fail to create strong enough incentives to prioritise collaborative activity. To overcome these barriers we suggest reform to budgetary processes in Whitehall, including the creation of a small number of *strategic programme ministers* with responsibility for a pooled budget, a small staff and a high-priority cross-cutting goal rather than a traditional ministry.

### The limits of this report

This report is focused on the governance arrangements of Whitehall's central institutions. We believe that by improving these arrangements, a reforming government will be able to improve the functioning of the civil service.

We recognise that there are many other challenges that will have to be addressed if the country is to retain a strong civil service during the testing times ahead, not least the questions of: how to manage a major expenditure reduction programme; how Whitehall should connect to the wider world of non-departmental public bodies (NDPBs), agencies and localities; and how to develop effective skills and workforce strategies to maintain a high-quality civil service in a period of likely headcount reductions.

There are also many challenges and questions of governance that lie well beyond the boundaries of Whitehall. These include the future of local and community governance; the potential of citizens to solve problems for themselves through technology, markets and social innovations; and the challenges faced by our political institutions and the parties that populate them.

That said, Whitehall remains a pivotal and relatively under-researched part of our country's governance structures. The Institute welcomes suggestions about what it should prioritise in future projects.

# Chapter 1: A strategic centre

“ It can be argued that the centre has been weak in aspects of the functions only it can perform (ministerial appointments and training and development, government-wide strategy, resource allocation, handling of cross-departmental issues) while over-centralising in other respects (public service reform and micro-management of essentially departmental issues). ”

*Sir Richard Mottram, former permanent secretary, 2009<sup>17</sup>*

The central departments of government are under pressure to change as politicians aim for a smaller, more strategic Whitehall. The Cabinet Office in particular needs to clarify its value-adding role in relation to line ministries. Our interviews and analysis suggest that its role should be to set priorities and coordinate policy across government. We suggest that this might best be achieved through streamlining the Cabinet Office into a 'department of strategy and capability' with a remit to work collaboratively with Cabinet and departments to set out a strategic framework of high-level goals to guide the work of government and build the capability necessary to realise ministers' top priorities.

The central departments – 10 Downing Street, the Cabinet Office and the Treasury – are the commanding heights of government. It is from these vantage points that the Prime Minister, chancellor and Cabinet take an overall view of policy, goal setting and funding. However, as international surveys show, while the UK has a strong Prime Minister and Chancellor, the central departments are small and relatively weak, devolving a great deal of power to departments.<sup>18</sup> In Whitehall's highly decentralised management system, the capacity of the central departments is critical to ensuring that government as a whole is guided by effective strategic leadership.

But the centre is under pressure to change. Over the past decade, strong Prime Ministers and chancellors have strengthened the Cabinet Office (CO) and Treasury (HMT) to provide a counterweight to a fragmented public sector,<sup>19</sup> and to ensure that government priorities are 'delivered' on the ground. The result, according to many commentators, has been over-centralisation, with poorly coordinated political demands from the Prime Minister and chancellor squeezing the space for collective leadership and departmental initiative.<sup>20</sup>

<sup>17</sup> Mottram (2009), Written evidence to the Lords Constitution Committee, p.4

<sup>18</sup> OECD (2008), 'International budget practices and procedures database' and Parker et al (2009), State of the Service

<sup>19</sup> Peters (2004), 'Back to the centre?'

<sup>20</sup> For instance, the former cabinet secretary Lord Butler told the *Spectator* in 2004 that: "there is too much central control and there is too little of what I would describe as reasoned deliberation which brings in all the arguments." See: [www.guardian.co.uk/politics/2004/dec/10/uk.butler](http://www.guardian.co.uk/politics/2004/dec/10/uk.butler), accessed 22/12/09

There is evidence to suggest that both the Treasury and Cabinet Office perform many of their functions well and that they are addressing areas of weakness, especially in building a stronger relationship with one another and in developing a more collaborative relationship with line departments.<sup>21</sup> The question is whether the centre's structures and ways of working are fit for the future. The key challenges facing the centre over the next five years will be to secure coherence across government and the wider public sector in a context where central government is likely to have less formal control over those systems.

The central institutions are deeply interdependent – as we shall see, changes to one tend to have consequences for the others – but our interviewees clearly felt that the Cabinet Office was the top priority for reform. Downing Street's role was seen as being defined by the political style of the Prime Minister, and there was a general acceptance that it was largely inevitable and appropriate that this institution should respond to the character and demands of its occupant. Interviewees saw the Treasury as having a clear role in managing the economy, allocating budgets and controlling costs, which is largely accepted across Whitehall. Our interviewees had criticisms to make, particularly that HMT was too eager to micro-manage, but they understand how it adds value to the work of departments.

By contrast, the value added by the Cabinet Office is less obvious – our analysis suggests that it is trying to do too much, with the result that its core policy coordination role has been diluted. Many officials told us that they want to see a Cabinet Office that focuses on managing cross-departmental issues, becoming the guardian of what one interviewee called 'the common good'.

This chapter therefore sets out the case for a streamlined CO that provides strategic leadership for government by working with the Prime Minister, Cabinet and departments to help develop and implement a whole of government strategic framework. Such a framework would set out the government's top priorities over a parliamentary term, providing a basis for conversations with departments about how to align their work plans with the government's strategy. A significant proportion of funding would be allocated to the government's strategic goals rather than to organisational silos, and performance management would be focused on the most important cross-cutting goals. Making this happen is not just a job for the civil service – to be truly effective, this kind of strategic leadership also requires political will and collective ownership of the government's strategy by Cabinet as a whole.

Our aim is a centre that focuses on strategy rather than delivery. We echo the Cabinet Office and Treasury joint stakeholder survey in concluding that "the centre should take the lead on wider government priorities, but matters of delivery or business should fall within the remit of departments".<sup>22</sup> Neither do we argue for a larger centre; the Cabinet Office has accumulated a remarkably diverse group of functions over the past decade, and giving the centre greater focus would probably mean shedding roles and staff. As one of our interviewees put it, the aim should be "a smaller, stronger centre, not a smaller, weaker centre".

## In search of clarity

If Downing Street is a political hub, and the Treasury manages the economy and public finances, the Cabinet Office's role might be described as "*the* critical

<sup>21</sup> Cabinet Office (2008), *Cabinet Office*

<sup>22</sup> Ipsos Mori (2008), *HM Treasury and Cabinet Office Stakeholder Survey*, based on 29 depth interviews with senior civil servants

junction box of the central government system".<sup>23</sup> Its power comes from its centrality – as a secretariat, it operates and services all the complex machinery of cabinet government. In addition to this traditional function, and its longstanding engagement in intelligence coordination, the Cabinet Office has in recent decades taken up three other key roles: organising and managing the civil service, providing a base for units focusing on particular policy issues (such as social exclusion and the third sector), and providing a home for a number of ministers without specific departmental portfolios (see Figure 2).<sup>24</sup>

The traditional roles are uncontroversial, but the newer functions – especially recent attempts to use the centre to drive delivery of government priorities – have fuelled debate about growing prime ministerial power and raised questions about the right role for the Cabinet Office in the 21st century.

Heath made the Cabinet Office a strategy hub with the creation of the Central Policy Review Staff, Thatcher turned it into the force behind her efficiency and next steps agendas, and Major used it to drive public service reform. Tony Blair's chief of staff, Jonathan Powell, famously promised a transition from a 'feudal' system of departmental baronies to a 'Napoleonic' system of central control.<sup>25</sup> If Thatcher's centre had relied on personal willpower to push through a radical deconstruction of the state, Blair wanted a centre that would give him more personal control over a fragmented public sector landscape.

**Figure 2: Current Cabinet Office functions**

Cabinet Secretariats	Constitutional units	Intelligence, Security & Resilience Group	Intelligence Assessment & Intelligence Analysis	Civil Service Capability Group	Government Communications	Government CIO	Public Service Reform Group
European & Global Issues	Honours & Appointments	Security & Intelligence	Assessment Staff	Civil Service Workforce	Digital Engagement	ICT Strategy & Policy	Strategy Unit
Foreign & Defence Policy	Propriety & Ethics & Private Offices Group	Civil Contingencies Secretariat	Intelligence Analysis Profession & Strategic Horizons	Civil Service Performance & Review Directorate	Professional Development	IT Profession & Cabinet Office CIO	Public Service Unit
National Security	Historical section			Civil Service Leadership & Talent	Civil Service Governance & Government Communications	Chief Technology Officer	Social Exclusion Task Force
Economic & Domestic Affairs (incl. National Economic Council)					Cabinet Office Communications	Information Assurance	Office of the Third Sector

Source: Based on Cabinet Office organogram, available at: [www.cabinetoffice.gov.uk/media/120072/co\\_org\\_chart.pdf](http://www.cabinetoffice.gov.uk/media/120072/co_org_chart.pdf), accessed 8/12/09

While Powell's pledge was only partially fulfilled, under Labour the pace of change at the centre did accelerate significantly. The key changes at the Treasury were more about style than structure. The comprehensive spending review cycle was used to extend the chancellor's policy control over departments, with each review including a number of cross-cutting reviews of particular spending areas

<sup>23</sup> Hennessy (2001), *Whitehall*

<sup>24</sup> Lee et al (1998), *At the Centre of Whitehall*

<sup>25</sup> Quoted in Rentoul (2003), 'Jonathan Powell'

and a suite of targets that departments would have to meet in return for their funding. At the Cabinet Office, the structural innovation has been more febrile – there have been four broad phases of change since 1997 (see Appendix 1.1):<sup>26</sup>

### **1. Phase one (1998–2001): increasing cross-cutting policy capacity**

Sir Richard Wilson's reforms aimed to give the Cabinet Office greater capacity to intervene in policy across government. The Performance and Innovation Unit (PIU) was established to provide analytical capacity at the centre, while units for women, drugs, social exclusion and regulation, and the new 'e-envoy', reflected the PM's policy priorities. Civil service HR was also brought into the Cabinet Office.

### **2. Phase two (2001–02): a more directive centre**

Immediately following the 2001 election, the Cabinet Office and No 10 were given strengthened capacity to develop 'mainstream' policy, moving it away from its focus on cross-cutting issues. This was most clearly seen in the establishment of the Prime Minister's Forward Strategy Unit (FSU) alongside the PIU.<sup>27</sup> Two other important central units were also set up under the control of the Deputy Prime Minister: the Delivery Unit (PMDU) and Office of Public Service Reform (OPSR). At the same time, the capacity and involvement of the Treasury in mainstream policy development continued to grow, creating an increasingly confusing rivalry in central policy direction within the centre.

### **3. Phase three (2002–07): the delivery centre**

The CO took on responsibility for improving the quality of government departments, via a scheme called performance partnerships, which evolved into the Capability Review programme. The department's role was defined as: "to support the government's delivery and reform programme". There was a significant shuffling of central units, including the scrapping of OPSR and the evolution of the PIU and FSU into the Strategy Unit and the e-envoy into the transformational government unit.

### **4. Phase four (2007–present): the crisis centre**

The last three years have seen a number of small but significant reforms at the centre. PMDU has been transferred to the Treasury and a new permanent secretary has been created in Downing Street. Perhaps most significantly, the cabinet secretariat has grown to accommodate two new 'super-committees', the National Economic Council and the Democratic Renewal Council, set up in response to specific fast-moving national crises. These have a small staff of their own to provide independent policy analysis rather than relying on departments to do all the heavy lifting. The CO's role has become 'making government work better'.

One of the results of these frequent changes is a lack of clarity about the purpose of the Cabinet Office. This problem was highlighted by the 2008 stakeholder survey, which found that many civil servants saw the Cabinet Office as being made up of disparate units.<sup>28</sup> This confusion is recognised within the centre itself. One interviewee from the Cabinet Office told us that the department:

<sup>26</sup> Adapted from House of Commons Library (2005), *The Centre of Government*

<sup>27</sup> Halpern (2009), *The Hidden Wealth of Nations*

<sup>28</sup> Ipsos Mori (2008), *HM Treasury and Cabinet Office Stakeholder Survey*

*does have a clear role, but it's very difficult to describe. It has a clear role in providing direction and coordinating a number of things. In other places it's there to support. What's very difficult for people in the centre and for departments outside the centre is to know what hat the centre is wearing at any given time.*

While the Cabinet Office has made significant progress since 2007 in clarifying its role, our interviews suggest that there is further to go:

### **What role for the Cabinet Office?**

*They've never really come out with a view of what the Cabinet Office is for.*

**Permanent Secretary**

*The Cabinet Office has a number of roles and that's part of its problem.*

**Director General**

*If I sat out in a department, which I've done for most of my career, I'd [say that the CO is] sometimes irrelevant – I'm vaguely aware they do some things but it doesn't matter to me.* **Director General**

*It is surprising given the professionalism of the civil service how over the centuries we have not figured out the centre of government playing the role it needs to. It's a little odd to me.* **Director General**

*Working in the CO is like working in pre-Garibaldi Italy. It's a set of principalities of varying quality and differing character and a very transient workforce.*

**Director General**

*I wouldn't say there's a very strong recognition of the CO driving the improvement of the civil service.* **Director General**

### **The role of the Treasury**

*"The only bit of machinery that matters is the one that controls resources."<sup>29</sup>*

The Treasury's role has changed significantly over the past decade, reflecting the demands of an unusually powerful chancellor. It has given up its control over the setting of interest rates to the Bank of England, but acquired control over tax policy from HMRC, extended its influence over social policy and, perhaps most significantly, become a spending department of sorts through the creation of tax credits.

In its spending control role the Treasury has, broadly speaking, stuck to the deal with departments that emerged in the 1990s. It has loosened its grip on inputs, but become clearer about what outputs are expected. Detailed oversight of budgets diminished as the Treasury moved towards giving departments block grants and then managing the totals. HMT retains the power to veto detailed spending plans, but it has generally chosen not to use it.<sup>30</sup>

The chancellor has also developed greater influence over policy-making. Three tools in particular have created this wider role. First are the policy reviews that HMT carries out in the run-up to every new spending review – typically, there are 6–15 reviews covering everything from science to the voluntary sector.

<sup>29</sup> Caulcott (2001)

<sup>30</sup> For a more detailed account, see Lipsey (2000), *The Secret Treasury*

Second, the Treasury sets the public service agreement targets to which every department must commit in return for receiving its funding. Finally, the Treasury has taken on a leading role in managing public sector efficiency, particularly following the Gershon review.<sup>31</sup>

In institutional terms, these agendas have been supported by an expanding array of agencies and units, with the Office for Government Commerce founded in 2000, and the Prime Minister's Delivery Unit, which was formally transferred from the Cabinet Office in 2007, although it had in practice been located in the Treasury for some time before this.

Civil servants tend to be cautiously positive about the Treasury. The stakeholder survey suggests that they admire its analytical skills and intellectual rigour,<sup>32</sup> but the flipside of this admiration is a certain amount of resentment of the perceived arrogance and aloofness of Treasury staff, reinforced by the fact that many HMT civil servants are seen to have little experience of working in spending departments. There are also significant concerns that the Treasury's expanding policy interests have led to too much meddling in departmental business. As one former permanent secretary said: "The Treasury tends to slide into a parent-child relationship with departments... and in the last decade it got too much into policy, and not enough into financial management."

The 2008 *Stakeholder Survey* shows that some civil servants "feel that Treasury staff can try to become experts on issues that are the prerogative of the department... Instead of utilising the expertise of departments, the Treasury can immerse themselves in an issue and then, from the department's perspective, take control of the issue."<sup>33</sup>

The key challenge for the Treasury over the coming years will be to successfully manage a programme of public spending reduction – something that it has not had to do for more than 15 years. In the short term, this will require a refocusing on the four core roles of public expenditure control, tax policy, securing a stable fiscal and financial position, and overseeing the financial system. This may well come at the expense of its newer roles in policy development and target setting. One of our interviewees suggested that the years ahead would require the return of the traditional 'hatchet-faced men' of the Treasury.

In the longer run, a debate is likely to re-emerge about whether the Treasury should be split into a macro-economics ministry and a new public sector management department to lead on budget allocation, corporate functions such as HR and IT, and efficiency. This would decisively get the Treasury out of major domestic policy, but would also involve substantial costs and disruption.

31 House of Commons Library (2005), *The Centre of Government*

32 Ipsos Mori (2008), *HM Treasury and Cabinet Office Stakeholder Survey*

33 *Ibid*

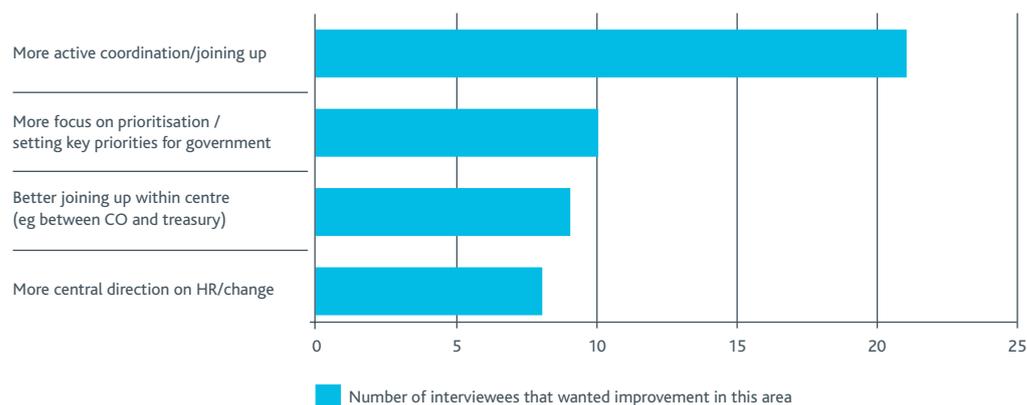
## Adding value through strategic leadership

Like many commentators,<sup>34</sup> the officials we interviewed believed that the centre of government has become significantly more powerful, but they doubt that this has resulted in much better joining up of policy.

We asked our 38 interviewees to describe the ideal value-adding role the centre as a whole should play, and then asked what would need to change for the centre to fulfil that role (Figure 3). Some 21 answered that the centre needed to provide more active coordination and joining up of policy. By this, they typically meant that they wanted the centre to provide a clear view of the government's overall priorities, and to help broker joint working between departments to meet those priorities.

This echoes the 2008 stakeholder survey's finding that "there is almost universal agreement among respondents that it is not clear what the government's priorities are".<sup>35</sup> It also chimes with the 2007 Cabinet Office stakeholder survey, which showed that "helping departments to look beyond their boundaries" and "building strong relationships with departments and working together to address issues" were seen as important weaknesses and urgent priorities for improvement.<sup>36</sup>

**Figure 3: Institute for Government survey of 38 top civil servants**



Source: IFG interviews

Our interviewees were critical of the Cabinet Office's ability to provide a whole of government vision. One told us that the Cabinet Office should own and manage the process of agreeing strategy across government, but that at present: "insofar as it attempts to produce a cross-government strategy the process for doing that is inadequate". Several interviewees pointed to a gap in the centre's capacity to turn strategic goals into reality, which often means there is a disconnect between strategy and resource allocation. For instance, we were told that there was not always "a real link from 'this is the strategy, this is the costed plan' to delivery, performance and the outcomes we achieve".

It is important to note that many interviewees felt highly ambivalent about more assertive coordination from the centre. While they wanted stronger leadership, they were also concerned about the potential for micro-management and poorly coordinated central initiatives. Perhaps the most strident comment interviewees made was: "I think making the centre bigger

34 House of Commons Library (2005), *The Centre of Government*, p.3

35 Ipsos Mori (2008), *HM Treasury and Cabinet Office Stakeholder Survey*, p.17

36 Ipsos Mori (2007), *Cabinet Office Stakeholder Research*

would be a disastrous thing to do, because what that would do is mean that you've got a bigger problem to manage. At least keeping it small means there's only so much damage that can be done."

The challenge then is clear: to create a centre that can actively manage cross-cutting issues, but which does less micro-management of departmental policy and delivery.

### **The case for strategic leadership from the centre**

*Who can promote ideas about joined-up working if not the Cabinet Office? That whole area of better cross-government working without machinery of government changes. That seems like something the Cabinet Office should be providing a lead on. **Director General***

*It should have more of a role in joining up government – more of a role in saying what are the top five priorities. **Permanent Secretary***

*It is very helpful for government to say these are the main things we are going to be focusing on; we are going to keep coming back to them and try and make a difference on these things. If that can be communicated and followed through and pursued consistently then that is immensely valuable. **Director General***

*What the Cabinet Office needs to do is be more comfortable at directing and ordering other departments how to join up and execute policy. There is a culture against doing that, pandering too much to departments. **Director General***

*There's clear value in coordination functions and that might be the area where we are weakest. Departments are very powerful. **Director***

*Policy coordination. Things like Afghanistan, Pakistan... some others too, more policy coordination from the centre would be good. **Director General***

*They [the centre] need probably more power but with a very strong rule of subsidiary... there are some things that very legitimately require cross-government working, and a more joined-up No 10 and Cabinet Office and a more efficient process of coordination and resolution. **Director General***

*The mechanisms for making trade-offs between things remain quite weak... The Cabinet Office should be much more effective at getting to an agreed strategy across government and ensuring that interdependencies get managed and ensuring that potential policy conflicts get managed and resolved. It's not at all effective at those things. **Director General***

*I think something around fewer, but better and more joined-up policies driven by the centre... it is this question of ownership and getting departments, officials and ministers to own the solutions to really difficult wicked issues or whatever you want to call them and then having fewer policies. **Director General***

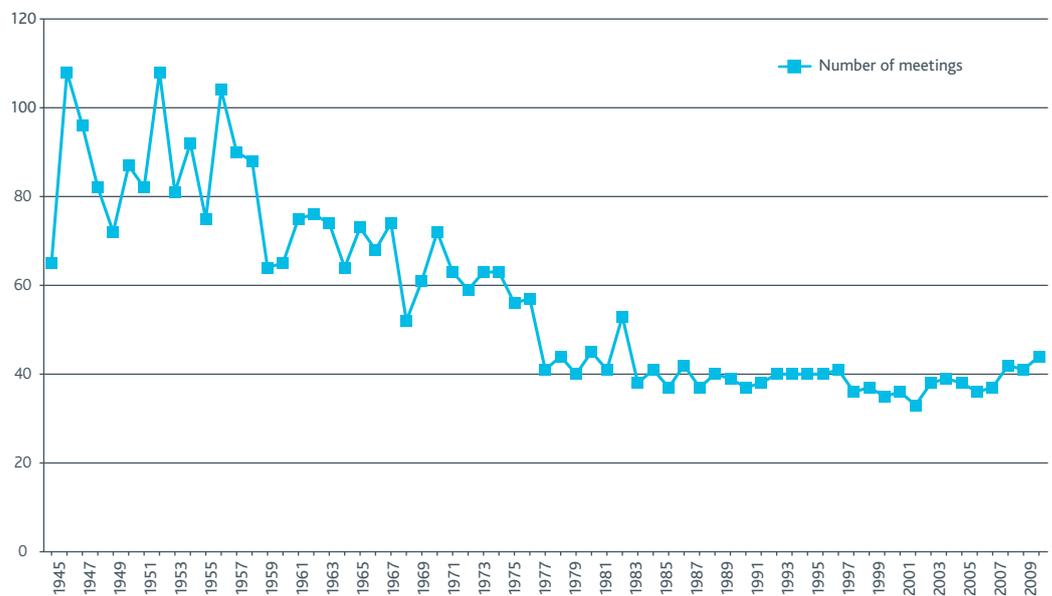
*I think actually pushing some of the other government departments to be joined up is important... [the centre] needs the willingness to do it, a bit more arm twisting would be great. **Director General***

## Strategic leadership capacity at the centre

As the previous section suggests, the central departments currently possess a limited range of tools for strategic leadership across government. While there has been a substantial effort to build up strategy functions at the centre, these additions do not amount to a full strategic planning system that sets clear priorities linked to finance and performance management processes.

Constitutionally, the Cabinet system itself is supposed to provide much of the missing strategic leadership. However, many commentators are sceptical that Cabinet currently works effectively as a decision-making body.<sup>37</sup> It is certainly true that the number of Cabinet meetings and papers appears to have been in decline for some time (Figure 4).<sup>38</sup> This reflects the increasing use of Cabinet committees, which some defend as a necessary development<sup>39</sup> given the complexity of many issues which Cabinet must consider; and the rise of what critics call 'sofa government'.<sup>40</sup> Ultimately, the sheer weight and complexity of government business now means that a great deal of policy development must be handled outside the cabinet system.<sup>41</sup>

**Figure 4: Cabinet meetings since 1945**



Source: IfG research

Some aspects of strategy work and policy brokering are managed through the Cabinet secretariats – they are generally felt to perform well, and many civil servants point to an improving and more collaborative relationship with this part of the centre. But some claimed that the secretariats can tend towards achieving compromises that may make departments happy, but are not the best solution strategically.<sup>42</sup> Thus good ideas can become diluted. Stakeholders also feel that the secretariats are strongest when they are being reactive, rather than leading proactively.

The Cabinet Office houses the Strategy Unit, a team of analysts that produce reports on priority policy areas for the Prime Minister, often working with departments to develop analysis. The unit has received widespread praise for

<sup>37</sup> See, for example Foster (2004), 'Cabinet government in the 20th century'

<sup>38</sup> IfG analysis

<sup>39</sup> Powell (2009), *House of Lords Constitution Committee Inquiry*.

<sup>40</sup> See, for instance, Hastings (2006), 'The sofa government of Blairism has been an unmitigated disaster'

<sup>41</sup> For example, see the increase in the number of pages of legislation detailed in Lightbown and Smith (2009), *Parliamentary Trends*, p.7

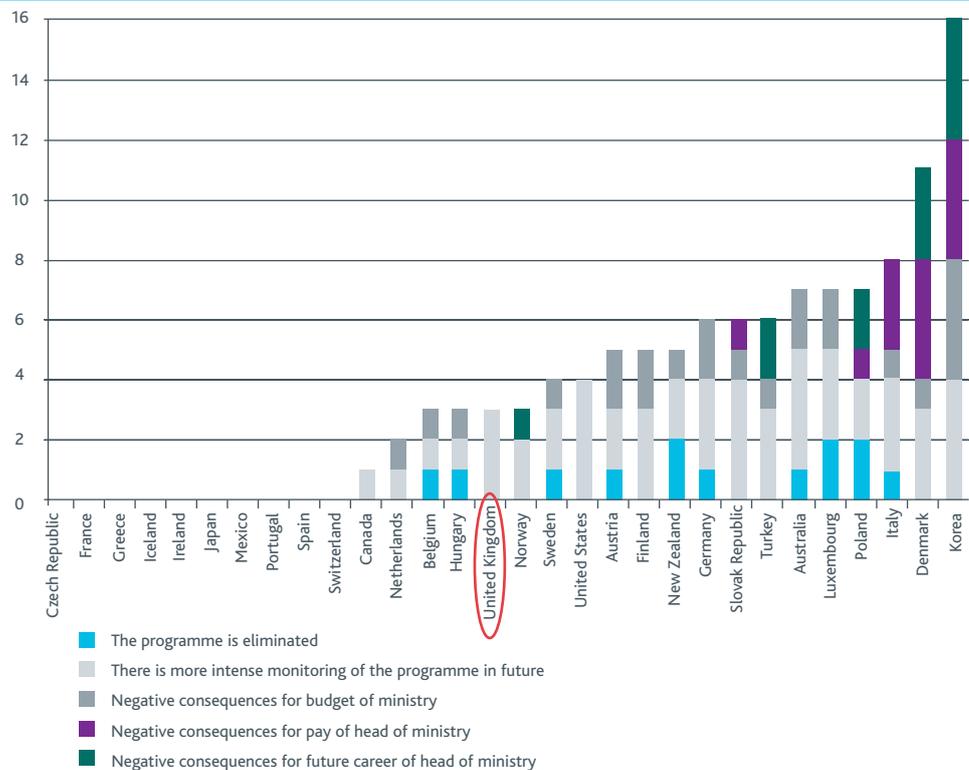
<sup>42</sup> Ipsos Mori (2008), *HM Treasury and Cabinet Office Stakeholder Survey*

the quality of its work, but while it has undoubtedly improved the quality of strategic thinking at the centre and strengthened the Prime Minister's position, it has not been able to fulfil a genuine strategic leadership role. One reason for this was highlighted by an interviewee who described PMSU's approach as "parachuting in, looking at an issue and then running off again" rather than providing longer-term support for delivery. Politically, the unit's primary source of authority is the Prime Minister, and it has only limited purchase with other secretaries of state.

Over the past decade, the Treasury has also attempted to take on a much stronger role in providing strategic leadership, reflecting the preferences of a particularly powerful chancellor. Through spending reviews and the public service agreement framework, chancellors have tried to create a degree of overall coherence to the work of ministries, although it should be noted that once the Treasury allocates funding, departments have a great deal of freedom over how they spend it.<sup>43</sup> The Comprehensive Spending Review process suffers from some by now familiar problems. Reviews are often constructed through tough bilateral discussions between the chancellor and line ministers, rather than being agreed collectively and connected to a clearly agreed strategic plan. This can limit departmental buy-in – indeed, the Treasury's latest stakeholder survey raised concerns that its officials sometimes take policy decisions almost by diktat.<sup>44</sup>

This approach might work if departments stuck to their PSA targets, but these are frequently missed with few penalties for failure. A department that fails to hit its targets faces increased central monitoring through the Prime Minister's Delivery Unit, but there is little threat of a poorly performing programme being cut, or of negative career consequences for the officials responsible. This relatively light touch regime makes the UK only the 16th toughest country in the developed world, according to a survey of finance ministries across the OECD 30 (Figure 5).

**Figure 5: Likelihood of sanctions for failing to hit a performance target**



Source: Parker et al (2009), *State of the Service*. Note: Scores reflect the likelihood that a particular sanction will be applied, with a score of 0 meaning it is almost never applied, and a score of 4 indicating that it is almost always applied.

43 Parker et al (2009), *State of the Service*

44 Ipsos Mori (2008), *HM Treasury and Cabinet Office Stakeholder Survey*, p.13

Overall, this means that the UK has an incomplete and fragmented version of the overarching, integrated strategic planning functions found at the centres of many other OECD governments. This strategic planning role typically involves the following activities:<sup>45</sup>

- Ensuring that the government's deliberations on its strategic priorities take place with the benefit of a broad assessment of the overall economic, political and social situation;
- Ensuring that the strategic priorities are harmonised with other strategic documents of the government, such as economic and fiscal strategies, and other key policy and reform strategies;
- Ensuring that the budget preparation process takes account of, and reflects, strategic priorities;
- Ensuring that departmental work plans reflect the government's strategic priorities;
- Ensuring that the Prime Minister is regularly briefed on new developments affecting the strategic priorities and annual work plan, and possible responses or adjustments where warranted.

This lack of strategic leadership capacity at the centre leads to at least two further problems.

First is a lack of capacity for the Cabinet to collectively address pressing social, economic or environmental problems. The former Treasury permanent secretary Sir Douglas Wass noted in the early 1980s that: "Ministers in Cabinet rarely look at the totality of their responsibilities, at the balance of policy, at the progress of government towards its objectives as a whole."<sup>46</sup> There is little evidence to suggest that this situation has greatly improved.

Ministers come to meetings with briefs from their departments which reflect that particular department's view of a policy problem, rather than an overarching view of the problem across government. While Cabinet committees do sometimes commission collective papers from several departments, this is the exception rather than the rule. PMSU sees its role as explicitly excluding providing briefing to Cabinet or its committees. This arrangement does have the advantage of ensuring that conflicting positions are represented, but not that they are resolved.

The second problem is the lack of a clear link between strategic goals and budget allocation. Over the last decade, a period of relative fiscal abundance, spending reviews have dealt primarily with allocating new money. This means that departments have often been able to avoid hard choices about ending underperforming programmes, and that there has been little collective discussion among ministers about where the government's real priorities should lie. As discussed in Chapter 3, this system is particularly poorly suited to judgements about the relative efficacy of spending across departments or between them, such as innovative programmes that cut across budgets.

Other countries have tried to develop more thorough ways of linking goals

<sup>45</sup> James and Ben-Gera (2004), *A Comparative Analysis of Government Offices in OECD Countries*, p. 19

<sup>46</sup> James (1992), *British Cabinet Government*

to budgets. In New Zealand, the government estimates have to set out the link between each department's funding, the expected outputs and a set of overarching government strategic goals – for instance “reduce inequalities in health, education, employment and housing”.<sup>47</sup> When ministers scrutinise new spending bids from departments, they put an emphasis on demonstrating that any new programme will also help to achieving government outcomes.

Canada's Treasury Board Secretariat (TBS) is developing a system of parliamentary reporting which requires departments to show how their programmes align to a whole of government outcome framework. This means linking each programme – for instance, “promoting cultural understanding” – to a departmental strategic outcome such as “Canadians live in an inclusive society”, which must then be linked to a whole of government outcome area such as “achieving a diverse society that promotes linguistic duality and social inclusion”. Each department regularly reviews its programmes to check that they are effective and efficient, and they then develop proposals for reallocating their money to better meet the government's priorities.<sup>48</sup>

## Civil service management from the centre

Since the 1980s the Cabinet Office has progressively become the central department for civil service management, with the posts of cabinet secretary and head of the civil service being combined and the postholder developing an increasingly broad set of responsibilities for managing permanent secretaries and ensuring the delivery of cross-government HR and IT. Cabinet secretaries have acquired the right to performance manage departments through the Capability Review programme, and they individually appraise each permanent secretary twice a year based on a scorecard of data that includes departmental performance against capability reviews and public service agreement targets. This arguably represents a significant strengthening of the civil service management role at the expense of some of the policy advice functions of the traditional cabinet secretary role.

However, as with so many functions at the centre of government, the cabinet secretary's powers are somewhat informal. He does not legally employ permanent secretaries – that is the secretary of state's role – but he does have a very significant influence over appointments and some formal powers to reward and punish through biannual appraisals and his seat on the permanent secretaries' remuneration committee, which allocates performance pay. In those cases where a permanent secretary underperforms, it can be difficult to sack them, but not because of a lack of power at the centre. Rather, it is because a cabinet secretary who wants to be rid of a resistant permanent secretary must first overcome departmental and official politics, then face the unpalatable choice of offering a large pay-off or facing an employment tribunal.

This delicate balance between weak formal powers and growing informal authority provides some of the personal accountability often said to be lacking in the senior civil service – indeed some former permanent secretaries would say that the current arrangements amount to line management in all but name.

Formalising this line management relationship in permanent secretary contracts might help to clarify the relationship between the centre and departments. It

<sup>47</sup> Kibblewhite and Ussher (2002), 'Outcome focused management in New Zealand'

<sup>48</sup> IfG interviews with TBS officials

could increase the cabinet secretary's authority and shift the default position on cross-government working to an assumption that line ministries will participate in Cabinet Office initiatives unless they can make a case for not doing so. A similar switch in emphasis may be necessary for human resources and IT management. These are areas where some civil servants feel that the centre "could be more assertive at times, particularly on corporate issues where there is clear evidence of best practice to be followed".<sup>49</sup>

## Strategic human resources

Human resource management is one of the core functions of centres of government in almost every developed country. At its most basic, the case for central leadership revolves around the need to recruit, retain and develop a talented group of senior civil servants with a common framework for skills, performance management and ethics, and to retain some control over the pay bill. To this basic function, the Cabinet Office adds a variety of extra duties, including the Capability Review programme, the fast stream and a role in setting out principles for pay and reward in the wider civil service.

The key HR body at the centre is the Cabinet Office's Civil Service Capability Group (CSCG), which several interviewees felt was doing a good job in very difficult circumstances. CSCG can list many accomplishments, including the development of the 'Top 200' group of senior civil servants, the development of the HR profession across government and better permanent secretary performance management through capability reviews.

Many aspects of a strategic leadership role are in place already. The Cabinet Office has invested a lot of energy in collegiate management of cross-government HR. The Normington<sup>50</sup> review set out a vision for the senior civil service, and the CO has created a people framework setting out areas where permanent secretaries will take collective action – including on improving the quality of leadership and promoting employee engagement.

However, some interviewees felt that Whitehall's highly decentralised approach to HR might get in the way of further progress. Departments currently have one of the highest levels of autonomy in the OECD,<sup>51</sup> creating the risk of a lack of coherence and efficiency. This concern is particularly forceful at a time when Whitehall urgently needs plans for managing headcount reductions while ensuring that the remaining staff have the skills needed to manage a streamlined, more regulatory state.

The senior civil servants we interviewed told us that:

*We're in the worst of all worlds. We should either let departments do their own thing or take a more centralist approach. **Director***

*We went along with the breakup of the big corporates. There was obviously some great guiding philosophy that was not very clever. Separate contracts, separate salary scales, that was just so mad. It doesn't help you know, all those people issues being owned by departments. **Director General***

49 Ipsos Mori (2008), *HM Treasury and Cabinet Office Stakeholder Survey*, p.16

50 Normington (2008), *Senior Civil Service Workforce and Reward Strategy*

51 Parker et al (2009), *State of the Service*

*I don't think the HR side is particularly broke, I just think it's got some really difficult things to do and we've probably taken decisions in the past about the pay systems that we might regret now but are quite difficult to row back from.*

**Director General**

*If you were looking at running all departments as Civil Service PLC, and do we have something which sets this all out at this level of clarity, then no we don't.*

**Director General**

These points were somewhat reflected in the Cabinet Office's Capability Review in 2008, which called for "more pace" in leading improvement across Whitehall and greater "clarity of vision" about the future of the civil service.<sup>52</sup> Our interviews and analysis identified four areas where the Cabinet Office could go further to deliver greater strategic leadership on HR:

- The Cabinet Office could set out more clearly its role on HR matters, and what it expects of departments, including distinguishing between when it is suggesting and when it is directing that departments do something. Grievance procedures are one area where the centre should set clear policy and then let departments implement it.
- Where departments are confused about particular HR issues, the Cabinet Office could provide an authoritative voice and clear guidance about the best way to proceed. For instance, when staff found it hard to get to work during the 2009 snowstorms, the Cabinet Office could have provided an authoritative voice on whether this should be counted as working from home or extra leave.
- Similarly, where a common, cross-government approach on HR matters is necessary or desirable, the Cabinet Office could lead on its development, for example by formulating model policies on HR issues that affect all departments (e.g. age discrimination). A key challenge here will be providing strategic leadership for departments that need to cut their staffing costs.
- The Cabinet Office could establish mechanisms to identify and share good HR practice, and pinpoint where there is poor performance to help departments raise standards.

Civil servants we spoke to also blamed decentralised human resource management for a number of practical problems. Decentralisation means that levels of pay for the same job can vary widely across departments. This can make machinery of government changes complicated and potentially very expensive, as newly created departments inherit staff doing similar jobs on different rates, and generally have to level pay upwards. In one particularly expensive example, a department that was formed in the early 2000s had to find at least £15m simply to resolve its differential pay problems.<sup>53</sup>

Differing pay scales and performance schemes can also hamper collaboration, because employees of particular departments may be reluctant to transfer to a different department or joint unit to work on cross-cutting projects. Finally, departments often duplicate effort to develop their own recruitment and pay policies, leading to inefficiencies.

<sup>52</sup> Cabinet Office (2008), *Cabinet Office*

<sup>53</sup> IfG interviews

A recent National Audit Office report<sup>54</sup> on civil service recruitment practices in six government departments highlighted this problem of inefficiency. It found that more consistent procedures could make recruitment faster and cheaper – delivering potential efficiency improvements of up to 68% by reducing the internal staff cost of recruitment and the time taken to recruit new staff.

## IT capacity<sup>55</sup>

Public sector spending on IT was estimated at £16bn in 2007/08, which represents 4.6% of total Whitehall spending.<sup>56</sup> Getting better value for money from this spend will be a key aim whoever wins the next elections, with the recent Operational Efficiency Programme (OEP) claiming that 20% of public sector IT spending could be cut, much of it through reducing the significant, unnecessary cost variations between departments, and through greater use of the collective buying power of government.<sup>57</sup> IT has also been integral to public service reform programmes, such as the 'Transformational Government' agenda's goal to reconstitute services around citizens, rather than departmental silos.

The nature of these challenges suggests that the centre could play a crucial facilitating and coordinating role. The centre is often best placed to tackle issues where the current use of IT inhibits government effectiveness: for example, to standardise the patchwork of systems that have grown up across central government, operating to different standards and frequently unable to talk to each other. This can seriously raise the transaction costs of joining up, since there is often no easy way for colleagues in different departments to share and jointly manage information (see Chapter 3). The Treasury Select Committee has argued that the OEP's efficiencies "will require considerable cooperation between the departments", but questioned "whether the necessary structures are in place to facilitate such co-operation".<sup>58</sup>

Attempts by the centre to promote cross-government IT-based transformation have tended to founder on a combination of line departments' competing priorities and the centre's lack of influence. As one senior Cabinet Office employee explained: "The department always has more troops on the ground... If the department wants to argue, you are lost." This is because the governance of IT is currently 'collegial': with power dispersed between departments, the centre can coordinate only through persuasion and consensus rather than formal mandates.

The Chief Information Officers' Council, the main central decision-making body, has succeeded in sharing best practices across government and developing strategy; the difficulties arise with implementation. The Council has little capacity or authority to enforce its decisions – even if they could significantly improve the efficiency or effectiveness of government. As one interviewee put it: "So everyone agrees 'in principle' – but then what?" In other words, the current arrangements are not sufficient to tackle the issues that are controversial, conflict with departmental priorities, require initial funding, or whose benefits do not immediately accrue to the actors involved.

While the CIO Council leads on IT strategy, the Treasury also has a say in how major IT-led business change projects are handled, through the Gateway Reviews carried out by the Office for Government Commerce (OGC). These reviews are designed to assess the progress of major IT projects and highlight

54 NAO (2009c), *Recruiting Civil Servants Efficiently*, p.25

55 This is a brief summary of the Institute's report, *Installing New Drivers: How to improve government's use of IT*, by Hallsworth et al (2009)

56 HM Treasury (2009a), *Operational Efficiency Programme*, p.4

57 Ibid, pp.48, 55–56

58 House of Commons Treasury Committee (2009), *Evaluating the Efficiency Programme*, p.3

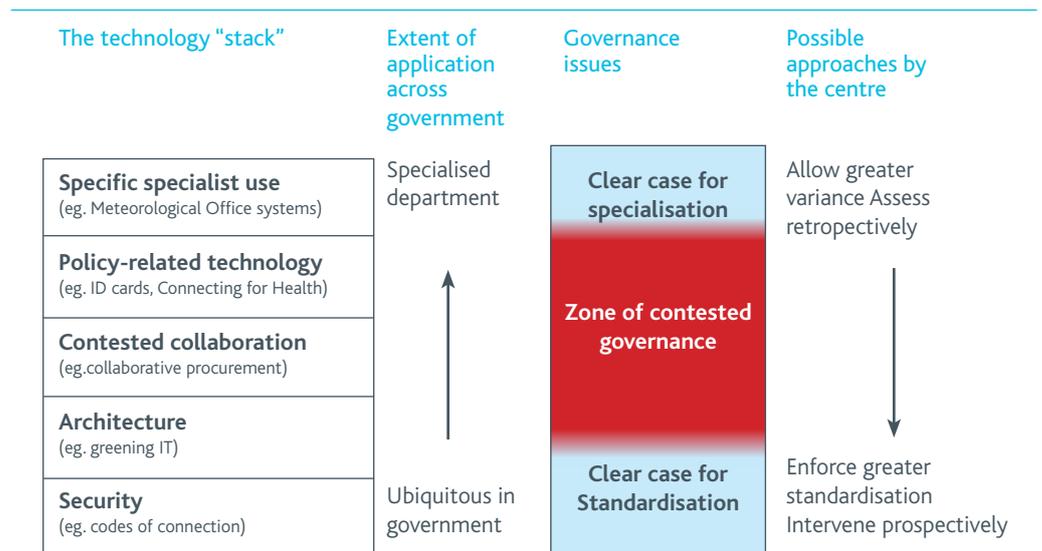
potential problems before they escalate. But since they are not made public, their impact is difficult to assess. Nevertheless, the 31 Gateway Reviews on the NHS's National Programme for IT alone make a case for the centre to exert more influence over major IT projects.<sup>59</sup> The NAO estimates that the programme will cost £12.4bn in total, more than five times the government's original costing.<sup>60</sup>

It is clear that the programme managers did not sufficiently heed warnings from their Gateway Reviews.<sup>61</sup> OGC was asked to perform only two reviews of the programme as a whole, both at very early stages. The second was published in November 2004 and gave the overall status of 'red', with the review criticising "the lack of a coherent benefits realisation strategy and the absence of clarity regarding the organisational structure".<sup>62</sup>

This case highlights two cogent points: first, that a department was able to continue a 'red'-rated project without making significant adjustments;<sup>63</sup> second, that in practice OGC carries out Gateway Reviews only when requested. It appears that the department's position of power meant that it could respond to unwelcome news by failing to request any more news at all.<sup>64</sup> In sum, although Gateway Reviews "can provide an effective challenge process... there is evidence they are not always taken seriously".<sup>65</sup> In other words, they do not represent a strong enough mechanism for the centre to influence a department's management of a contracted IT project, no matter how flawed it may be.

Although the centre clearly has a role to play in overseeing and coordinating the use of IT in government, it should intervene only when necessary. Intervention needs to be selective, allowing departments freedom to innovate to achieve benefits in their policy areas, while insisting on savings where the evidence is compelling. The 'IT stack' (Figure 6) may be a useful way of judging how to match the actions of the centre with the IT issue at stake, although it is not intended to be prescriptive.

**Figure 6: The IT stack**



Source: IFG research

59 These Gateway Reviews have been made public through Freedom of Information requests

60 NAO (2006b), *Department of Health*

61 See [www.connectingforhealth.nhs.uk/about/foi](http://www.connectingforhealth.nhs.uk/about/foi) and [www.computing.co.uk/computing/comment/2244750/unheeded-warnings-highlight-nhs-4731810](http://www.computing.co.uk/computing/comment/2244750/unheeded-warnings-highlight-nhs-4731810), both accessed 18/12/09

62 Office of Government Commerce (2004), 'NHS National Programme for IT'

63 This is not an isolated instance. In 2006, the NAO recommended a review of "how 'red' reviews, and multiple 'red' reviews, are dealt with in future in terms of guidance to the senior responsible owner and bringing them to the attention of the Permanent Secretary". See NAO (2006a), *The Delays in Administering the 2005 Single Payment Scheme in England*

64 Ipsos Mori conducted two annual surveys on the National Programme for IT that produced unwelcome results. No more reviews were commissioned, although there may be no causal link. See: [www.computerweekly.com/blogs/tony\\_collins/2009/06/16-key-points-in-gateway-revie.html](http://www.computerweekly.com/blogs/tony_collins/2009/06/16-key-points-in-gateway-revie.html), accessed 18/12/09

65 Public Accounts Committee (2009), *Learning and Innovation in Government*, p.10

## The centre in international context

Having identified a number of weaknesses in Whitehall’s strategic leadership capacity, we now compare the UK with a number of other high-performing OECD countries by looking at their centres of government to understand what the UK might learn from abroad. The countries we chose to study – Australia, Canada, Finland, France, the Netherlands and New Zealand – are broadly representative of a number of different traditions of administration, covering Scandinavia, Western Europe and the Westminster systems.<sup>66</sup>

We examined how each of these countries structures five key functions found at the centre of almost every government (Figure 7):

- Managing the interface between politics and bureaucracy (e.g. cabinet secretariats);
- Policy analysis and advice (e.g. policy and strategy units);
- HR and personnel functions (e.g. the Civil Service Capability Group);
- Budget allocation to departments; and
- Economic analysis.<sup>67</sup>

**Figure 7: Arrangement of central functions in seven OECD countries**

	Manage interface between politics and bureaucracy	Policy analysis and advice	HR and personnel	Budget and resource management	Economic analysis
UK	Cabinet Office			Treasury	
Australia	Department of the PM and Cabinet		Public Service Commission	Finance Ministry	Treasury
Canada	Privy Council Office		Treasury Board Secretariat		Finance Ministry
Finland	Prime Minister’s Office		Finance Ministry		
France	PMO	PMO/President	Budget, Civil Service and Public Accounts		Industry, Finance, Economics
Netherlands	Ministry of General Affairs		Interior ministry	Finance Ministry	
New Zealand	Department of the PM and Cabinet		State Services Commission	Treasury	

Source: IfG research

Three factors clearly distinguish the structures of the UK centre from those of other developed countries. First, only in the UK is the HR function sited in the equivalent of the Cabinet Office. Every other country we examined either has a stand-alone department such as New Zealand’s State Services Commission, or houses HR in part of the Finance Ministry (as in France’s sprawling Ministry of the Budget, Public Accounts and the Civil Service).

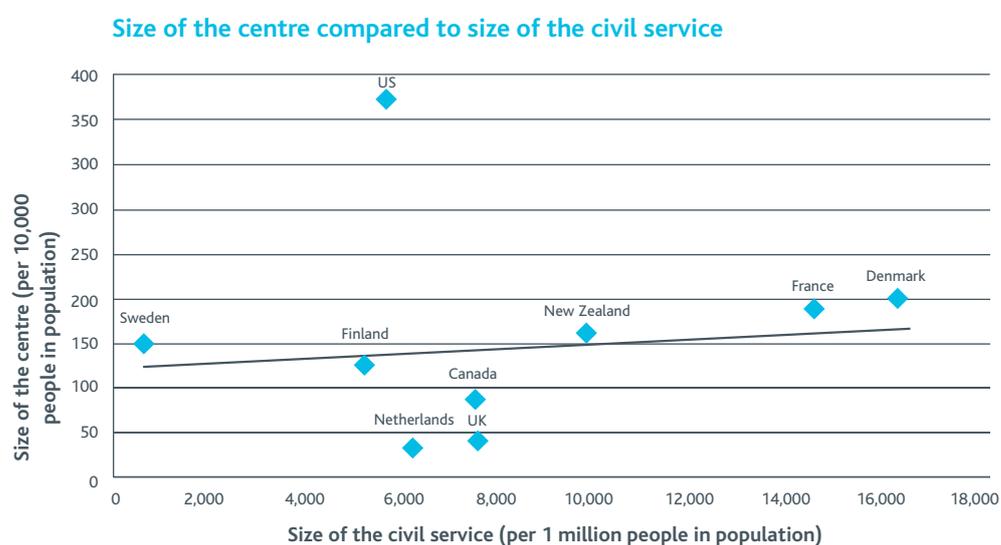
Second, the UK Treasury’s remit is unusually broad for a developed Westminster system country. Canada and Australia both divide the Treasury’s functions between a ministry for economics and a department that helps to prepare the budget and provides corporate management functions like ICT and HR.

<sup>66</sup> All of these countries except France outperform the UK on the World Bank Good Government Indicators and the Bertelsmann Sustainable Governance Indicators

<sup>67</sup> Adapted from Kelly (2009), *Shaping a Strategic Centre*

Finally, the UK's centre is large in absolute terms of the number of staff employed, but unusually small in relative terms, with the combination of No 10, Cabinet Office and Treasury making up little more than 0.5% of the civil service. The equivalent institutions are more than twice this size in every country we looked at except the Netherlands.<sup>68</sup> This is not just a function of the UK's unusually centralised system of government – our centre also looks small when compared with the population of the country as a whole (Figure 8).

**Figure 8: Size of international centres compared with total population**



Source: IfG survey of national governments

Central institutional design is influenced by a complex set of historical, cultural and constitutional considerations. Looking across the countries we have examined, three broad variations emerge. First is the antipodean Department of the Prime Minister and Cabinet, second is the minimal centre found in many Northern European countries, third are the departments of budget allocation and civil service management that can be found in Australia, Canada and the US.<sup>69</sup>

### Department for the Prime Minister and Cabinet (DPM&C)

The Australian Commonwealth's DPM&C has been described as "pre-eminent in terms of policy development"<sup>70</sup> across government. Its organisational chart is strikingly different from that of the UK Cabinet Office – there are no CIOs, human resources officers or government-wide communications functions. Instead, the department is structured almost entirely around policy divisions dealing with domestic policy, strategic policy and implementation, and national security and international policy.

With over 500 staff, DPM&C is involved in most high-profile policy issues, and has a brief to evaluate and advise the Prime Minister and cabinet on the content of all major line ministry proposals. The department has the power to reject advice and analysis offered by ministries. The PM has around 40 staff, around half of whom are policy advisors with the rest working in functions such as press and protocol.

<sup>68</sup> IfG analysis, based on information supplied by national governments and the World Bank Development Indicators 2008

<sup>69</sup> Profiles based on IfG interviews with officials in each country, national government websites and country reports compiled for the Bertelsmann Sustainable Governance Indicators, accessible at: [www.sgi-network.org/](http://www.sgi-network.org/), accessed 18/12/09

<sup>70</sup> Bertelsmann Stiftung (2009), 'Australia Report'

Australia's finance functions are divided into a Treasury and a Finance ministry, with the latter focusing on budget allocation and corporate functions. Strategic human resources is largely carried out by the Australian Public Service Commission, although the finance ministry and DPM&C also play a role.

### The minimal centre

By contrast, the Dutch Ministry of General Affairs is an example of a highly decentralised administrative and political tradition. General Affairs has just 120 staff, although 50 of them work in the Prime Minister's office providing policy advice. It also contains a delivery unit of about three people who chase progress on the government's 74 targets and produce an annual progress report for parliament and public consumption. In addition, the government has set 10 cross-cutting goals with pooled budgets.

General Affairs is called upon when situations prove politically difficult or coordination has become problematic. However, the PM's authority largely comes through following up the delivery of the government's coalition agreement – he must rely on personality politics and persuasion rather than formal power to resolve policy deadlock.

The Department of the Interior has started to develop some of the functions commonly carried out by the centre in other countries – it is taking a lead on civil service reform, it employs and manages the top 800 civil servants, and it is creating a central research team to support reform across government.

### Offices of Management and Budget Allocation

Several countries have effectively divided their Treasury functions into a macro-economic ministry and an office for budget allocation and government management. In Canada, this latter role is performed by the Treasury Board Secretariat (TBS), a large department that initially developed to provide administrative support to the Treasury Board, a committee of the Privy Council.

The existence of TBS means that the Canadian budget-setting process is managed differently from that in the UK. While the Department of Finance is responsible for setting the overall public spending envelope and formally presenting the budget to parliament, TBS supplies the initial guidance for that budget including reallocation options for spend as well as assessments of new programme business plans. It is also responsible for monitoring and manages fiscal discipline and financial performance across government and in so doing, it monitors the effectiveness of departmental programmes and makes recommendations for reallocating or cutting spending from those programmes. The Finance Minister sits on the Treasury Board itself, ensuring close connections between the two departments.

TBS is also responsible for the organisation and administration of Canada's public service. It sets employment and management policy across the civil service, assessing compliance through its Management Assessment Framework. It also acts as a hub for reporting performance to parliament. It has been notably successful in encouraging take-up of e-government and advanced customer service techniques through its Service Canada initiative.

## The problem of presidentialism

One of the most striking facts that emerges from an international comparison of the UK's centre of government is the way that it combines an exceptionally powerful central political actor – the Prime Minister – with relatively weak official tools and techniques for cross-government leadership and relatively neglected institutional practices for the resolution of conflicts between the main actors.

The power of the centre, and of the Prime Minister in particular, partly reflects the size of their party's majority in the commons and the PM's personal standing within his or her party – hence the particular strength of Thatcher and Blair. Of course, it also reflects their standing in Cabinet, where the presence of a powerful rival can effectively create a multi-headed executive.

This central political power is often said to be reflected in the growing size of No 10, which has doubled to nearly 200 staff since 1997, and in the role the PM plays in setting targets. According to an international survey of finance ministries, the UK is one of only two OECD countries where the Prime Minister can in practice set targets for departments, and one of only four that grant this power to the chancellor. In 40% of OECD countries, target setting is in practice the job of the line minister.<sup>71</sup>

This creates an inherent tension at the centre of government, with strong Prime Ministers looking for ways to enforce their will that work around the traditional mechanisms of government, rather than working through them. The result is management by prime ministerial activism, targetry and announcements, with the PM often said to be clumsily intervening in a departmental system designed for collective rather than individual leadership. One obvious way to resolve this imbalance between political and administrative mechanisms would be through the creation of a much stronger centre, which would be able to match the PM's political clout with administrative oversight of departmental policy-making and delivery arrangements.

However, there is a great deal of scepticism about such a move, as illustrated in the debate about the increasingly 'presidential' power of the Prime Minister since 1997.<sup>72</sup> Indeed, some critics argue that the Cabinet Office is already in the process of becoming a de facto Prime Minister's department.<sup>73</sup> This argument can easily dominate any discussion about an effective and appropriate role for the centre of government – more power for the centre is seen as a loss of autonomy for departments and a contribution to the decline of cabinet government.

Those who worry about presidentialism have a strong case to make. As we have already noted, there is significant evidence that the role of Cabinet as a formal decision-making body has been in decline since the war; and the political personality of the PM is increasingly important. To give just one example, the *Economist* newspaper made 415 mentions of Clement Attlee during his premiership, and over 1000 mentions of his chancellors. By the 1980s the relative standing of Prime Minister and chancellor had reversed sharply – Margaret Thatcher was mentioned more than 4500 times compared with 1033 mentions for her chancellors.<sup>74</sup>

<sup>71</sup> IfG analysis of OECD 2007/08, 'International budget practices and procedures database'

<sup>72</sup> See, for instance, Kershaw (2007), quoted in 'How will history judge Blair?'

<sup>73</sup> See for instance, Bogdanor (2000), 'Why the PM will never be president'

<sup>74</sup> IfG analysis of the *Economist* archive

It is a mistake to attach too much of the blame for this situation to any single political personality – the presidentialism debate is at least 40 years old, and it is common to every developed Westminster system country.<sup>75</sup> While strong prime ministerial leadership is a reality, it is easy to overstate its practical impact. The Prime Minister can in theory intervene in any policy area they choose, but in practice they are limited by time, attention span and resources. And the last decade of debate about ‘delivery’ in the UK has demonstrated conclusively that, while Prime Ministers may be able to make demands across government, they have only a very limited ability to impose their will on the ground.

In fact, from the point of view of the officeholder, the position of Prime Minister often seems underpowered. One recent academic examination of the presidentialism debate concludes that “the continuous reform of the British centre paradoxically speaks of the failure, not success, of coordination”.<sup>76</sup> The combination of the Prime Minister’s delivery and strategy units has certainly increased the PM’s reach across government, but the Cabinet Office is a long way from becoming a fully fledged premier’s department.

The current system probably does not satisfy anyone – being neither presidential nor collegiate enough to manage departments effectively. Strengthening the Cabinet Office’s role as strategic leader provides a way to address this problem, allowing it to support Cabinet to develop a shared strategy, but also providing the PM with a clear role that even the most traditional commentators would accept as legitimate: “promoting the collective strategies of the party and government, and keeping individual ministers to that strategy”.<sup>77</sup>

## Recommendations: a department of strategy and capability

In this chapter we have identified five challenges for the centre of government that any reform will need to address:

- Developing a clearer sense of government’s key priorities and objectives, with corresponding clarity about what the centre will leave to departments and other levels of government;
- Defining – explicitly – a new relationship between the centre and departments;
- Creating a more rational and effective system for matching resources to priorities;
- Promoting enhanced ‘joined-up’ models of delivery where departmental silos fail to map onto strategic challenges and the needs of citizens;
- Setting out a clearer vision for the centre’s role in managing corporate services such as HR and ICT.

We have already developed a clear sense of how the centre can best add value. The priority should be to improve the strategic capacity of the Cabinet Office. This means strengthening the Cabinet Office’s ability to coordinate the work of departments to address cross-departmental policy issues, including setting

<sup>75</sup> Rhodes et al (2009), *Comparing Westminster*, p.81

<sup>76</sup> *Ibid*, p.97

<sup>77</sup> Lee et al (1998), *At the Centre of Whitehall*

objectives for the whole of government, helping to manage those objectives where they are genuinely cross-departmental, and building capability to help departments deliver. There are a number of ways in which this could be done. Our suggestion is that the next government should turn the Cabinet Office into a 'department of strategy and capability'. This could involve the following key steps:

- 1. Set a whole of government strategy.** The Cabinet would agree a whole of government strategy – produced jointly with a new chief strategy officer – setting out the key strategic outcomes ministers want to achieve over the coming parliament. These should be a small number of high-level, cross-cutting outcome goals – perhaps 20 – that form the basis for steering Whitehall and wider delivery systems. The government strategy document would form the basis for conversations between the PM and secretaries of state – supported by discussions between the Cabinet Secretary and permanent secretaries – about how the work of each department aligns with and contributes to the government's overall strategy.
- 2. Create mechanisms for shared ownership of strategy.** The strategy would need to be collectively owned by all permanent secretaries, and would naturally be a subject for regular discussion at Permanent Secretaries Management Group (PSMG) meetings. But in addition, a smaller core group of permanent secretaries should be convened into a strategic board to discuss and monitor the ongoing implementation of the strategy. This could take the form of a new sub-group of PSMG, and would build upon the work of the existing Civil Service Steering Board, which comprises eight senior officials and is chaired by the Cabinet Secretary. To ensure better alignment between political priorities and administrative action, an alternative option would be for the new body to be chaired by a senior minister, or even the PM.
- 3. Reshape the Cabinet Office into a strategy hub.** The Cabinet Office would become the guardian of the strategy, with PMSU, PMDU and the secretariats consolidated into a new strategy directorate under a chief strategy officer, whose job would be to actively support the delivery of the strategy across government, including by acting as secretariat to the new strategic board for government. Strategy and performance management work would focus primarily on supporting departments to work together on the government's strategic goals. The chief strategy officer would report directly to the Cabinet Secretary.
- 4. Commit to joint distribution of resources.** The Treasury should use the government strategy as a transparent basis for resource allocation. Given the state of the public finances, this will probably mean targeting spending cuts in a way that preserves or refocuses the parts of government most critical to delivering the government's strategy. Money must be linked to the government's strategy and departments would be required to bid jointly – setting out how they will work together to deliver the best value for money – unless there is a compelling case for silo-based delivery. In a few cases, where the government wishes to place particular emphasis

on a cross-cutting problem, it should create pooled budgets outside departments with dedicated ministers to commission work from across Whitehall and beyond. We develop this recommendation more fully in Chapter 3.

#### **5. Focus on building capability and accountability across Whitehall.**

Capability building would remain a core aim of the Cabinet Office, with the whole of government strategy including a number of long-term development goals for the civil service based on high-quality horizon scanning and workforce planning, and backed up by capability reviews. The Cabinet Office should help departments to access organisational development and change management support to realise these development goals.

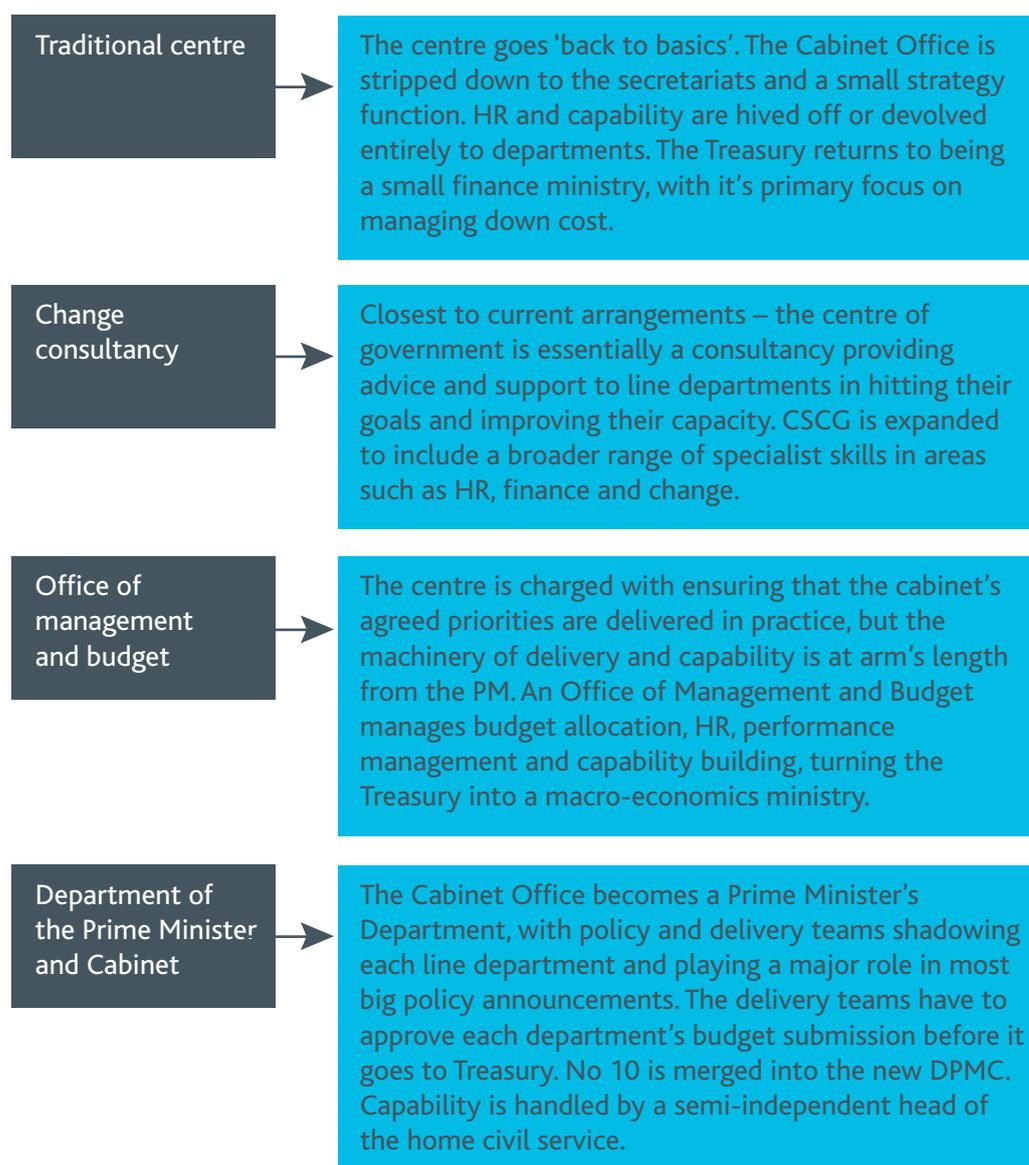
#### **6. Publish departmental business plans.** Departments should be required to publish a three-year business plan that aligns with the government's joint strategy plan, and makes provisions for cross-departmental working on key issues. Business plans should be created by strategy boards, including the ministerial team and the full departmental board. Each department's plan would be signed off by the secretary of state and the board, presented to parliament and made publicly available. The plan would provide a framework, against which the board – and parliament – would assess the department's performance. Business plans should be reviewed annually, and on the appointment of a new secretary of state.

In the longer term, future governments should consider more fully whether the current structures at the centre are fit for purpose. Figure 9 sets out four scenarios for different central structures. The obvious options to consider are either changing the Cabinet Office into a fully fledged Department of the Prime Minister and Cabinet, or to revisit the idea of splitting the Treasury into an economics ministry and an Office of Management and Budget similar to the Canadian Treasury Board Secretariat. This latter option merits further consideration. International experience suggests that – by combining funding allocation with corporate functions such as HR and ICT – budget ministries can drive a tighter focus on government efficiency and customer focus.

Future governments should also watch closely the model of government organisation currently being pioneered in Scotland, where departments are abolished completely and policy teams are organised around the government's strategic goals. Of course, Scottish government is smaller and less complex than that for the UK as a whole, but that does not mean that Whitehall should not seek to learn from this fascinating experiment. As Professor Dennis Kavanagh provocatively put it in his evidence to the House of Lords Constitution Committee: "If you were starting from now, you probably would start off with a powerful Prime Minister's department and probably short-term departments."<sup>78</sup>

<sup>78</sup> Kavanagh (2009), 'Oral evidence to the Lords Constitution Committee'

Figure 9: Long-term alternative scenarios for the centre



Source: IfG analysis

### Managing government by strategy: the Scottish case<sup>79</sup>

In 2007, the new minority nationalist government presented Scottish civil servants with a single piece of A4 paper setting out the new administration's overarching purpose and the five key outcomes it wanted to achieve. The challenge for the officials was to translate that sheet of paper into a system of government that could turn strategic objectives such as 'smarter', 'greener' and 'healthier' into change for Scottish citizens. The reforms they introduced can be summarised in five key stages:

#### 1. Restructuring government

Civil service management was restructured to reflect the government's five priorities, with a director general responsible for leading on the delivery of each goal, supported by a team of directors. The old departments were effectively abolished, making directorates the basic

<sup>79</sup> This is a brief summary of Lusk (2009), *The Scottish Government*

building block of government. For example, the housing and regeneration directorate sits within the health and wellbeing portfolio to support joined-up working.

## **2. The legislative programme**

The government's first legislative programme in 2007 was built around the government's five priorities, with only 11 items of legislation. This also reflected the fact that the SNP were a minority government.

## **3. The Scottish spending review and the national performance framework**

Government spending was explicitly geared towards meeting the administration's five key outcomes. Performance management would be achieved through a two-page document that turned the nationalist's five strategic objectives into 15 national outcomes and 45 measurement indicators.

## **4. Scotland Performs**

Scotland Performs provides live performance information on each of the government's goals, providing a 'line of sight' from high-level strategic objective to individual indicators. The emphasis is on how Scotland is performing as a country, rather than specifically on how the government itself is doing.

## **5. Single Outcome Agreements**

The government established a new relationship with local authorities, offering them less ringfencing in return for signing up to an outcome agreement committing the councils to focus on the national priorities in a way that reflects local need. Local authorities were invited to prepare their own outcome agreements reflecting local circumstances, but clearly contributing to the overall national purpose.

It is too early to assess whether the Scottish experiment is a success, or indeed whether it could be easily applied to Whitehall. The Scottish government is a single department with clear leadership from a senior permanent secretary, and it is also much smaller than the UK government as a whole. This undoubtedly makes it easier to carry out radical reform.

That said, elements of the Scottish model probably are portable – there is no obvious reason why Whitehall could not use a similar strategic planning process. The sheer size and heterogeneity of the UK government make it hard to envisage a Whitehall in which departments are abolished completely, but that does not exclude far more effective cross-cutting working around strategic goals. And it is possible that the Scottish model will make its greatest impact within individual Whitehall departments – Defra already operates a system in which DGs are responsible for outcomes and directors work on cross-cutting projects.

# Chapter 2: Better boards

“ If management is about running the business, governance is about seeing that it is run properly ”

*Professor Robert Tricker*

The development of corporate management boards in Whitehall departments is one of the more unique reforms of the civil service in the last 20 years. The origins of this movement began in the early 1990s, but did not become mandatory until 2005. The trend is certainly a positive one, with boards bringing the potential benefits of corporate working, joint ownership of departmental priorities and independent challenge from non-executive directors (NEDs). The research discussed in this chapter, however, finds that boards have not yet reached their potential as mechanisms of departmental oversight and strategic leadership. Our analysis shows that board performance is highly variable, and that the very role of boards remains ill defined across Whitehall. This chapter argues that higher performing boards tend to spend more of their time on performance management, thereby taking an active role in the delivery of policy. We also identify a number of barriers to board effectiveness, including engaging with ministers, the level of challenge in board discussions, the effective use of NEDs and accountability arrangements. We make a number of recommendations aimed at improving board effectiveness, most importantly: creating a joint strategy board to be chaired by the secretary of state, strengthening the role of NEDs, empowering finance directors, and establishing a comprehensive evaluation and development programme for boards.

One of the dominant features of British government over the past decade has been the trend towards ever greater central intervention in departmental operations. This was most evident in the rise of a host of central units answering to the Prime Minister in the wake of the 2001 election, including the secretive Forward Strategy Unit (FSU); the Prime Minister's Delivery Unit (PMDU); and the Office of Public Service Reform (OPSR). At the same time, the Treasury was strengthening and expanding its role beyond the control of money and into the detailed workings of policy (see Chapter 1).

There were two basic drivers to this expansion in the role of the centre, and neither was especially welcomed by departments. The first was the growing desire of the Prime Minister, and to some extent the chancellor, to exert a stronger steer on the fundamental direction of policy. Whether fairly or not, by the end of his first term in office, Blair had become frustrated with what he saw as the timidity of policy thinking coming out of departments, and looked to his newly created FSU, OPSR and personally appointed advisors such as John Birt to come up with more radical options. The second driver was a sense that even when policy and objectives were agreed, departments were slow or

even indifferent about their delivery. These issues have already been discussed in some detail in relation to the role of the centre (Chapter 1), but they pose parallel challenges to the role and governance of departments.

The case for a strategic or directional role at the centre is relatively straightforward, and indeed there is a historical precedent for such a role. However, the idea that the centre should be involved in chasing or directing 'delivery' is much more contentious. The establishment of the Prime Minister's Delivery Unit – designed to scrutinise, assist and improve the delivery of key government priorities – was arguably the most interventionist manifestation of this centralisation trend. The centre's increasing involvement in departmental affairs was born of both the Prime Minister's desire to give priority to four big issues: crime, transport, health and education, and the perception that departmental governance alone could not ensure the delivery of government priorities.

If we are to shift to a more strategic – less interventionist – centre, then departments will need stronger governance arrangements to drive effective delivery from within their own boundaries. Line departments must be capable of overseeing performance and holding their senior management team to account on the delivery of policy priorities. As the pinnacle of departmental leadership and oversight, boards have a particularly crucial role to play in the drive for better governance, and are therefore the primary focus of this chapter.

This does not negate the case made in previous Institute reports for much more widespread reforms of departments.<sup>80</sup> Indeed, effective governance will drive reforms, be they the roll-out of individual budgets in service provision or the tighter performance management of top public servants.

## Our approach

Government departments are very diverse organisations, and their boards reflect this – they vary immensely in role, function, structure, processes and, perhaps most importantly, performance. But one unifying principle is clear: the role of the board sets the tone for its culture, behaviour, processes and effectiveness. Boards that lack a clear role in leading the department have a marginal impact, functioning more as advisory panels for the permanent secretary, with the real decisions made in the executive team or simply by the permanent secretary.

By contrast, our research shows that the best boards have a clear remit to take corporate decisions about the running of their ministry, and to manage departmental performance, capability, risk and mission-critical projects. An analysis of board minutes undertaken for this project shows a strong link between the proportion of time focused on performance management and the overall performance of the board – as measured by capability review leadership scores and staff survey results.

Our research suggests that even the best boards can face a number of important challenges, including variable ministerial engagement, inconsistent evaluation and development processes, an imbalance of power on the board, a lack of constructive challenge to senior management, and under-utilised NEDs. Moreover, the question of accountability in the relationship between minister, permanent secretary and the board remains unresolved. The way that the board and minister work together is crucial in the development of strategy, but this relationship remains at best uncodified and at worst cloudy in most departments.

<sup>80</sup> See, for example, Parker et al (2009), *State of the Service* (2009) and Gash et al (2008), *Performance Art*

This chapter builds on evidence collected from 25 interviews with directors general from 15 Whitehall departments, four group interviews with non-executives, a statistical analysis of board minutes, and observations of four board meetings (see appendices for more detail). To understand best practice, we set much of the above data against measures for board performance. Because it is difficult to compare the performance of departments – for instance, DWP has very different goals to CLG – we have used proxy measures that focus on the quality of the board itself. The first is a ‘top down’ average of the Cabinet Office’s capability review leadership scores, which includes a judgement on the effectiveness of each department’s board. The second ‘bottom up’ measure is taken from staff survey questions on departmental leadership. We are aware of the limitations of these measures, but confident that when used together, they provide a strong measurement of the relative level of board performance.

Our conclusion is that board structures and composition do not affect performance, but behaviours and processes do. We recommend that boards should further strengthen their focus on performance management, and that they should commit to continually improving the quality of the board through more intensive evaluation and development work. We also suggest the creation alongside existing management boards of a new departmental strategy board, chaired by the secretary of state.

## The rise of boards

The introduction of Next Steps agencies 20 years ago accelerated an ongoing trend of introducing private sector-style governance arrangements for executive agencies, NDPBs and, most recently, central government departments.<sup>81</sup> Commentators point to two explanations for the development of public sector boards. The first suggests that the reform of public sector accounting practices and the professionalisation of finance roles in the public sector created a need for new reporting structures, which ultimately developed into the public sector board.<sup>82</sup> The second line of argument views the introduction of departmental boards as a late flowering of new public management, the logical conclusion of a movement to incorporate private sector practices into the public sector.<sup>83</sup>

In reality, the introduction of boards to Whitehall departments – and the rationale behind it – has been piecemeal and varied across departments. The Department of Social Security was among the first to establish a board with non-executive directors in 1990. The Department for Employment and Education established a full board in the mid 1990s. In contrast, for example, the Department for Transport did not establish a full board until 2002.

At present, all boards are chaired by the permanent secretary, and comprise anywhere from six to 14 members – with the average board having nine. All departments have at least one non-executive director, and on most boards NEDs make up close to a third of the overall membership. HM Revenue and Customs is the one exception, having restructured its board early in 2009. The HMRC board is the only major Whitehall department with an independent, non-executive chairman and a majority of non-executive directors.

81 Wilks (2007), ‘Boardization and corporate governance in the UK as a response to depoliticization and failing accountability’

82 Ibid

83 Rhodes (1996), ‘The new governance’

Commentators have long criticised the state of accountability in Whitehall. Secretaries of state are formally accountable to parliament for the work of their departments, and permanent secretaries are in theory held to account by their ministers, although in practice the doctrine of political neutrality means that politicians have very limited power over their officials. This means that, while permanent secretaries are held to account by the cabinet secretary, they have very limited accountability to parliament, except in their role as guardian of fiscal probity.<sup>84</sup>

As the official head of the department, the permanent secretary is appointed as its accounting officer. This means that the permanent secretary is directly accountable for: propriety and regularity; prudent and economical administration; avoidance of waste and extravagance; efficient and effective use of available resources; and the organisation, staffing and management of the department.<sup>85</sup> Officially, the board operates under the direction or with the agreement of the minister. Treasury guidance states that ministers may want to chair the boards, or have their special advisors attend meetings in their place. Essentially, the minister can shape the board as he/she sees fit. If, however, the minister defers to the permanent secretary to run the board, it is up to them, as accounting officer, to shape and run the board. The establishment of management boards has not altered the traditional lines of accountability. Ultimately, there is no explicit collective accountability to match the 'collective leadership' the board is designed to provide.

In July 2005, HM Treasury published a code of good practice for departmental governance,<sup>86</sup> which made boards mandatory for all Whitehall departments. The Treasury document set guidelines for the constitution of these boards, including the appointment of NEDs. The stated aim was to create a more corporate style of departmental leadership, to strengthen financial oversight and to provide independent challenge.<sup>87</sup>

According to the Treasury's code of good practice, boards should:

*take forward the department's agreed strategic aims and objectives; advise on the allocation of its financial and human resources to achieve those aims; manage departmental resources, monitoring the achievement of performance objectives; set the department's standards and values; maintain a transparent system of prudent and effective controls (including internal controls); assess and manage risk; and lead and oversee the process of change, encouraging innovation, and where appropriate enterprise, to enhance the department's capacity to deliver.<sup>88</sup>*

However, the variation that permeates all aspects of Whitehall boards means that different boards emphasise different aspects of the above functions – executing some, while ignoring others.

The 2005 launch of the Cabinet Office's Capability Review programme brought a significant increase in the level of scrutiny of departmental boards. The reviews were designed to systematically assess the organisational capabilities of individual departments, making them comparable across Whitehall and

84 Lodge and Rogers (2006), *Whitehall's Black Box*

85 HM Treasury (2005), *Corporate Governance in Central Government Departments*

86 *Ibid*

87 *Ibid*

88 *Ibid*, p.7

driving up central government's capability to meet future challenges.<sup>89</sup> The reviews judged each department's capability in delivery, leadership and strategy, concentrating on the senior management team.

This focus on top leadership within departments has solidified the central position of boards in the current civil service reform agenda. Boards are required by the Cabinet Office to lead the response to their departmental review, and it is notable that many of them started by trying to put their own houses in order.

The first round of reviews was critical of a number of departmental boards, spurring them on to improve. As a result, nine departments "gave their non-executive directors more influence and greater responsibility for challenging managerial decisions and performance and five departments have streamlined their boards".<sup>90</sup> The Home Office was emblematic of this drive to streamline and professionalise boards. The department received the worst leadership score in round one, and a new permanent secretary reshuffled the senior management team and pushed the board to improve its processes, behaviours and performance. As a result, the department's leadership score doubled in its second review.

Departmental boards coexist, sometimes uneasily, with executive committees – these are essentially a short weekly meeting of the permanent secretary and their DGs that provides quick checks on progress and risks. In principle, an effective departmental board should have a number of advantages over an executive team. Boards should foster collegiate decision-making, encouraging the leaders of different directorates to think about the needs of the organisation as a whole. By bringing in NEDs, boards should also create a more challenging culture among the senior leadership team, ensuring that programmes and projects are thoroughly thought out before they are implemented. Finally, non-executives can bring in specialist skills and insight that the department might otherwise find difficult to access. Interviewees were divided over the extent to which these benefits have been fully realised, but the theoretical arguments for non-executives and departmental boards were broadly accepted.

While the implementation of boards was driven from within the civil service, the idea secured buy-in from the then Prime Minister in 2006.<sup>91</sup> Conservatives, too, support the concept of departmental boards, announcing plans to enhance their role during the 2009 party conference – though with some adjustments.<sup>92</sup> The near universal support for boards, in both political and official circles, should guarantee their future as a feature of Whitehall's governance structures.<sup>93</sup>

## An unclear role

Departmental boards may be here to stay, but that does not mean that they are currently fulfilling their potential. The piecemeal development of boards means that no clear consensus on their value-adding role has been reached. Interviews with directors general revealed a striking lack of consensus around the role of departmental boards (Figure 10). Giving unprompted answers to the question, 'What is the role of the departmental board?' DGs' responses could be grouped into five categories:

89 NAO (2009a), *Assessment of the Capability Review Programme*

90 *Ibid.*, p.8

91 Timms (2006), 'Back risk-taking civil servants, says PM'

92 Maude (2009), 'Ready to deliver change'

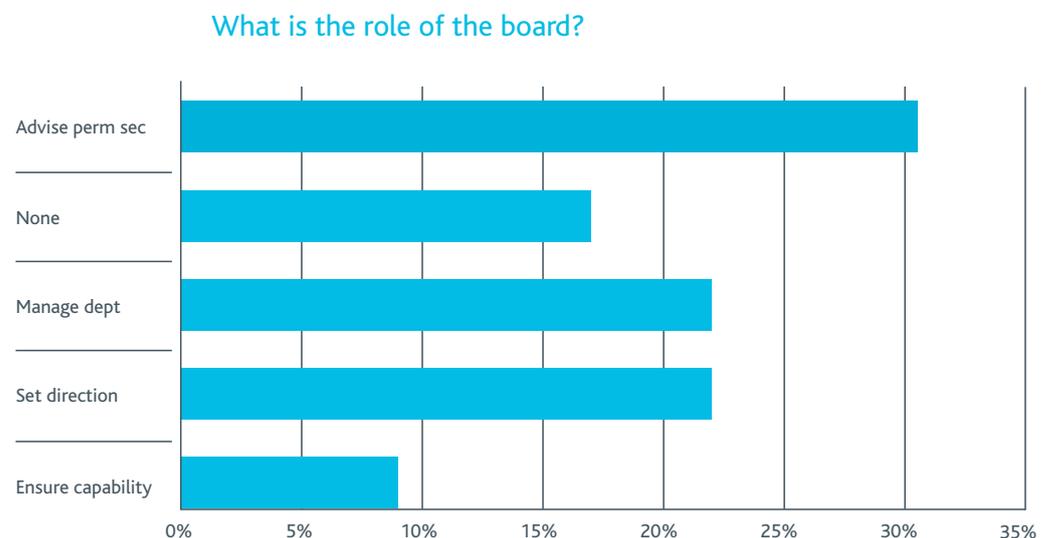
93 Kirkup (2009), 'Whitehall mandarins face sacking threat under Conservative plans'

1. Develop the department's capability;
2. No real role, all decisions are taken at the executive committee level;
3. Manage the department;
4. Support the permanent secretary in his/her role as accounting officer (AO);
5. Set the overall direction of the department.

There are some obvious factors that might account for the variation in views between departments, including the personal style of the permanent secretary, and the fact that a large delivery department like DWP probably needs a different style of governance from a policy department like the FCO. The Treasury implicitly recognised the need for variation in its 2005 code, which essentially asked departments to 'comply with the guidance or explain why not'. But what is striking is the fact that there is often a lack of clarity *within* departments about the board's role. In other words, even among members of the same board, we found they often failed to agree on a clear role. This was true in six of the ten departments where we interviewed at least two executive board members.

This matters because our research suggests that the basic underpinning of an effective board is a clear purpose, with a remit to take decisions as a group and a sense of shared ownership of departmental priorities and risks. The way that a board frames its role will subsequently shape its culture, characteristics, structure and processes.

**Figure 10: Percentage of directors general giving the primary role of their board**



Source: IfG interviews of directors general, N = 23

Underlying these differing responses are two fundamentally different views of the role of their board (see Figure 11): those boards that tend to defer final decisions to the permanent secretary and the executive team ('advisory' boards); and those that take full responsibility for departmental oversight ('decisive' boards). A third group of boards are in the midst of transition between advisory and decisive roles:

1. **Advisory board** – operates more as a committee than a board (lack of corporate decision-making/shared ownership of departmental oversight);
2. **Decisive board** – acts more like a private sector board, with obvious differences in structure and accountability (remit includes collective decision-making and a strong emphasis on performance management);
3. **Transition board** – boards that are moving from advisory boards towards decision-making boards.<sup>94</sup>

**Figure 11: IfG simple typology of Whitehall boards**

	Advisory board	Decision-making board	Transition board
Role/functions	Supports the Perm Sec as AO	Sets the direction and priorities of department	Beginning to take on shared ownership of departmental priorities
Behaviours/process	Dominated by Perm Sec, very little challenge or in-depth discussions	All members engaged, effective agendas, high levels of openness and challenge	Developing better processes, improving relationships
Key decisions	Key decisions made in executive committee, not by the board	Major decisions are taken at board level in a corporate way	Resource allocation signed off, but not full ownership of management issues
Engagement with ministers	None at board level, done bilaterally	Well-structured, joint working on strategy and policy	Variable

Source: IfG research

## Focusing on performance

Given the piecemeal development of boards, and the Treasury’s ‘comply or explain’ guidelines, it is not surprising that we found high levels of variation, not just in the role of boards, but in their composition, characteristics, structures and processes. In the absence of a clear definition of what factors underpin success, departments have had to follow their own instincts about what works. We hope that this research will help policy-makers develop a more confident account of what good performance looks and feels like.

One important question that we wanted to test was how the basic structure and composition of boards relates to their performance and effectiveness. We gathered data on the size of boards, the number of committees, the proportion of NEDs and their professional backgrounds, which can be found in full in Appendix 2.1. In general, we found no link between a board’s composition and its performance. However, there was some evidence of a relationship between the ratio of NEDs to insiders, with the highest performers having around a third of their members as NEDs. The causality here is not clear – it may be that good permanent secretaries tend to want more challenge or that greater challenge drives higher performance.

The lack of a simple relationship between board structures and performance suggests that – at least within the bands of variation generally seen in Whitehall – it is less the basic structural characteristics of boards that affect performance, but more the nature of functions, quality of processes and focus of agenda items that truly drive board performance. This broad result tallies with the most recent research on private sector governance, which eschews the structural and emphasises the link between behaviour and board performance.<sup>95</sup>

<sup>94</sup> Following the first round of capability reviews, a number of boards have taken steps to improve their boards, and in doing so are moving away from behaving like advisory boards and adopting the traits of decision-making boards

<sup>95</sup> Sonnenfeld (2002), ‘What makes great boards great?’

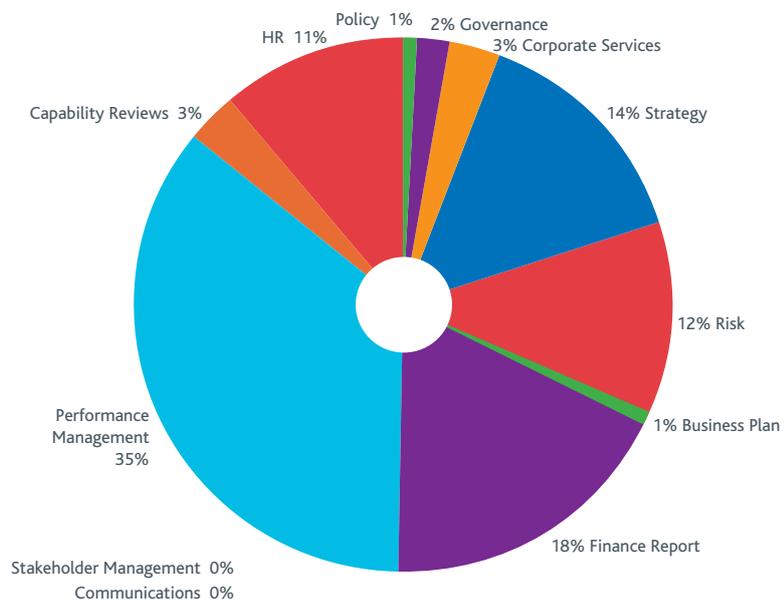
## Board processes and focus

To determine how boards focused their efforts, we carried out an analysis of board meeting minutes from 2005 to 2008 for a sample of seven departments. In total, our dataset of board meeting minutes includes 218 observations.<sup>96</sup> Agenda items were coded according to 12 categories, based on a previous study on NHS Trust boards (the categories can be found in Appendix 2.2).<sup>97</sup> While we would have liked to measure agenda items based on the amount of time apportioned to each, this proved impossible, as most departments do not record this information. Our measure is therefore the *frequency* with which a given type of agenda item is discussed. In addition, the research team directly attended and observed four board meetings and was able to compare these with the minutes. Although we cannot be sure that all meetings follow the same pattern of minuting, a comparison of our direct observations with minutes made us more confident that the minutes do give a reasonable sense of the types of issues covered by boards.<sup>98</sup>

We found that the focus of boardroom discussion was very different across Whitehall. This variation is clearly shown in Figures 12 and 13, which show the distribution of agenda items for two different boards averaged over a four-year period. The first is a high performing decisive board, the second an advisory board.

**Figure 12: Average distribution of agenda items for a high-performing decision-making board from 2005 to 2008**

### High Performing Decision Making Board



Source: IFG analysis of departmental board meeting minutes

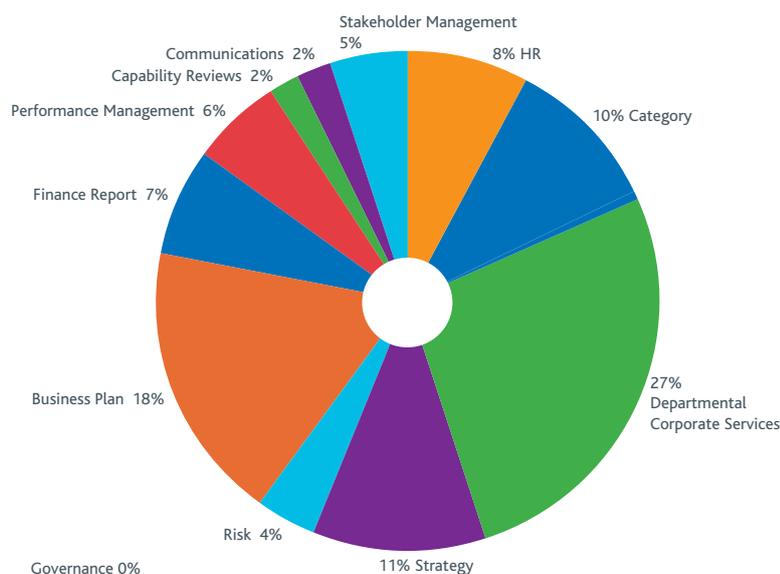
<sup>96</sup> It should be noted that all of our data on boards is reported anonymously. The goal of our research was not to create a departmental league table of board effectiveness, but to identify the factors that influence the performance of these management boards. Moreover, some departments sharing data with our research team would only do so under a condition of anonymous reporting of analysis.

<sup>97</sup> Peck (1995), 'The performance of an NHS Trust board'

<sup>98</sup> The obvious critique of our method is that board minutes – of boards that we did not attend – selectively exclude reference to certain activities. Such a pattern would have been likely to suppress any significant results in our data, and it is difficult to see how such an explanation would account for the relatively clear patterns that are reported here.

**Figure 13: Average distribution of agenda items for a low-performing advisory board from 2005 to 2008**

Low Performing Advisory Board



Source: IfG analysis of departmental board meeting minutes

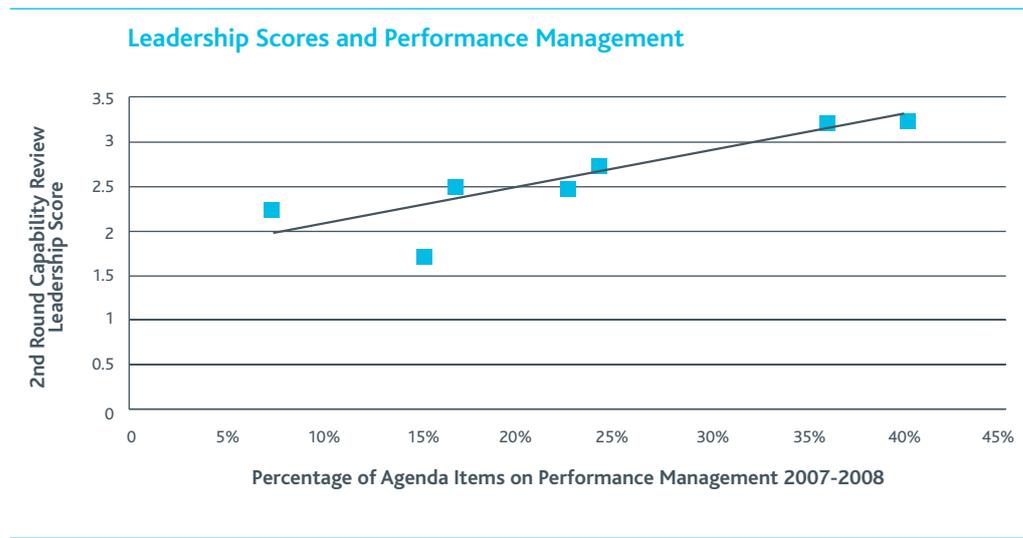
Having coded the board meeting minutes, we compared the data with two independent measures of board performance: capability review leadership scores and staff survey results. In essence, we tested for whether there was any relationship between what boards discussed and the impact they seemed to have. We found that the amount of board focus on some issues, such as corporate services, risk, governance, communications and stakeholder management seemed to have little relationship to overall effectiveness. On the other hand, we found some clear patterns. In particular, of the 12 agenda code categories, 'performance management' showed the strongest positive association with our two independent measures of impact.<sup>99</sup> We found that, in our sample of Whitehall boards, the top performers dedicated at least 35% of their agenda items to performance management. This fell to less than 15% for the lower-performing boards.

Plotting the data gives a visual representation of the relationship between the frequency of performance management agenda items and the performance of the board; Figures 14 and 15 show these relationships.<sup>100</sup> It should be noted that agenda items coded as 'performance management' encompass corporate performance, departmental strategic objectives (DSOs), Public Service Agreements (PSAs) and progress updates on the delivery of specific policy initiatives or programmes. Financial performance issues are not included here, but in a separate category for all financial agenda items.

<sup>99</sup> A total of 218 observations were analysed using simple bivariate correlations. The relationship was found to be positive and statistically significant at the 0.001 level for both capability review leadership score and staff confidence in senior leadership.

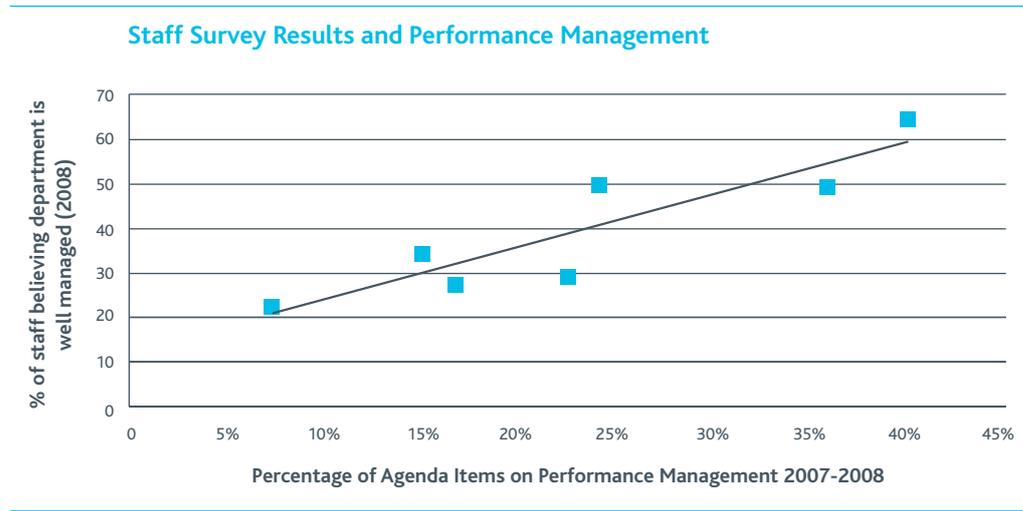
<sup>100</sup> As a condition of access to both board meeting minutes (for some departments) and staff survey results, we agreed to anonymise all of our data.

**Figure 14: Impact of agenda focus on performance management on board performance**



Source: IFG analysis of departmental board minutes and departmental capability reviews

**Figure 15: Agenda focus on performance management and staff confidence in management**

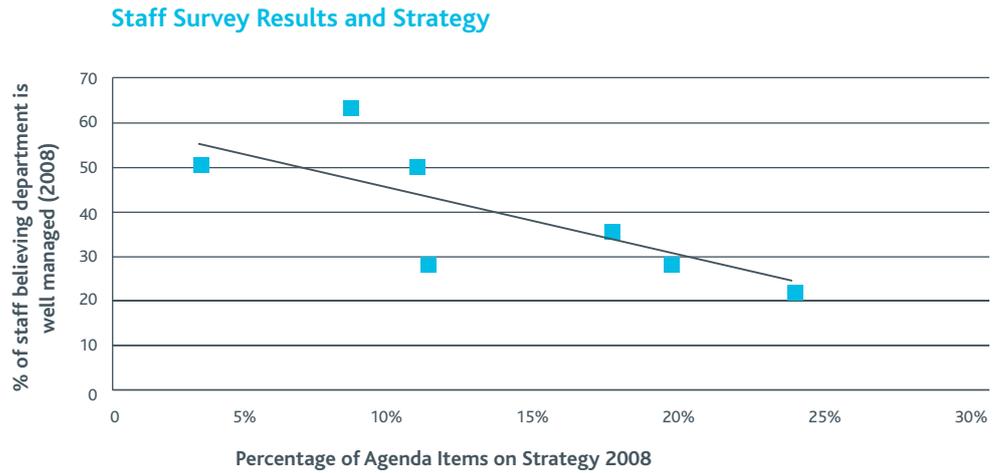


Source: IFG analysis of departmental board minutes and departmental capability reviews

In other words, our analysis found that higher-achieving boards tended to spend a greater proportion of their time on performance management, meaning the board was actively involved in managing the performance of the department and the delivery of policy.

In contrast, we found that boards rated as underperforming dedicated a greater proportion of their agenda to dealing with capability reviews, finance and strategy. The first two of these findings are easy to explain. A department that gets a poor capability review will probably spend more of its time trying to improve its score. Similarly, a department that has financial management problems will probably not get very high capability review scores or good staff survey results.

**Figure 16: Relationship between agenda focus on strategy and staff confidence in management**



Source: IfG analysis of departmental board minutes and departmental capability reviews

It is harder to explain why time spent on strategy should correlate to poor performance, as shown in Figure 16. Our qualitative work leads us to suspect that boards may find it difficult to develop long-term strategy in the absence of ministers. Thus, the development of strategy hinges on the board's collective engagement with its ministerial team, and for some departments this collective engagement is ineffective, or non-existent. In crude terms, the combination of our qualitative and quantitative work suggests that some of the less effective boards end up spending quite a bit of time discussing strategy without clarity from ministers, or instead of focusing on whether the strategy was actually being delivered.

Having explored the relationship between board focus and performance through simple (or bivariate) correlations, which report the strength and direction of relationships, we ran a series of regression analyses. These enable us to control for, or examine, several variables at the same time.

The results of the regressions confirmed the strong relationship between the proportion of agenda items dedicated to performance management and overall board performance.<sup>101</sup> Even when several other factors were entered at the same time, such as focus on finance and risk, these factors became non-significant once focus on performance management was included in the regression model. This held for both staff survey data and capability review scores. In short, the regression analysis showed that the more time a board spends on performance management, the better its performance.

The only other notable result from regression analysis was that in some models we found that a focus on 'strategy' actually had a negative relationship with effectiveness once focus on performance management was taken into account. This reinforced the sense that some underachieving boards were spending time discussing strategy when what they really needed to do was roll up their sleeves and manage the department, or perhaps go back to ministers and alter strategy. A detailed explanation and regression table results can be found in Appendix 2.3.

<sup>101</sup> In the regression equation, the performance management variable had a beta coefficient of 0.483 and was statistically significant at the 0.01 level. The R square for the model was 0.243.

## Barriers to effectiveness

Our interviews with directors general and non-executive board members broadly support the results of our statistical analysis. It seems that decision-making boards do spend more time on performance management because the board has taken ownership of the department's priorities and responsibility for overseeing delivery. They aren't 'just talking', but are clear about what they have to do and are focused on making it happen. The higher proportion of time they spend on performance management reflects the board's active role in overseeing the department and delivery of policy.

Our interviews also highlighted the major barriers to effectiveness boards currently face. The problems most commonly raised included engaging with ministers, the level of challenge in board discussions, the effective use of NEDs, accountability arrangements and the level of professionalisation in the boardroom.

## Ministerial engagement

Ministerial engagement with the board is crucial in the formation of departmental strategy and policy. For delivery departments, it is hard to separate policy and long-term departmental strategy, so the board's ability to develop strategy hinges on the effectiveness with which it can engage the ministerial team. For many departments, engagement with the ministerial team happens exclusively through bilateral meetings between ministers and executive board members. An over-reliance on bilateral engagement can reinforce siloed operating. In contrast, ministerial engagement with the whole board should promote a more corporate approach to developing departmental strategy, as well as providing ministers with a source of non-executive challenge.

Responding to the question, 'Is your board's engagement with the ministerial team effective?' more than a third of the 25 DGs interviewed answered 'not very' or 'not at all'.<sup>102</sup> Interviewees also raised the lack of contact between NEDs and ministers as a weak link. One director general commented that "[Engagement with ministers] is very intermittent, and the relationship between NEDs and the ministers is ineffective".<sup>103</sup>

Poor engagement with the ministerial team can result in a disconnection between the ambitions of ministers and the board's vision of departmental priorities. One interviewee said of the state of engagement in his department: "I don't think we get on well with the ministers. We try and understand what they are after and hopefully they think we're trying to do it for them." But even when structures for engagement are in place, ministers may choose not to use them, and an approach that worked for one minister will not necessarily work for the next. As one DG put it: "We have had joint meetings, but so much of how you deal with the board and ministers depends on the minister's preference; that's the issue we struggle with."<sup>104</sup>

The effects of poor ministerial engagement were borne out in our analysis of board focus. High-performing boards engage regularly with their ministerial team in away day settings, developing strategy outside of normal boardroom meetings. Underperforming boards tend to do this less, leaving the board to develop strategy in the absence of ministers.

<sup>102</sup> While one-third may not sound like a large number, interviews with board members in all sectors usually have a strong positive bias, with respondents tending to overplay the success of their board.

<sup>103</sup> Interview with Whitehall director general

<sup>104</sup> Interview with Whitehall director general

This is not to say ministers should not engage bilaterally with executive board members – indeed, these are vital to the effective management of government departments – but they are no substitute for effective corporate engagement with the full board.

### **Ministerial engagement**

*A key role for the board is – or should be – to engage the ministerial team and get them to think corporately.* **Director General**

*[Engagement] is not great. It would be good to have a clearer relationship between the minister and the board.* **Director General**

*Too often, other departments are worried about how to 'handle ministers'. Most don't engage them openly and honestly.* **Director General**

*There is not much engagement, and what there is is not effective. It depends on the minister in power. There is no NED/minister engagement.* **Director General**

*We only meet ministers at cocktail parties when they want to meet us, so it is not part of normal board business.* **Non-executive Director**

*So much of how you deal with boards and ministers depends on the ministers' preference; that's the issue, particularly, the non-executive members struggle with.* **Director General**

*It's difficult when the ministerial team is constantly changing. The new team comes in, we will have one session on priorities and that is it.* **Director General**

## **Challenge**

One of the key attributes of an effective board is the quality and depth of discussion, which is largely dependent on the level of challenge. Previous research in the corporate context has suggested that an effective boardroom dynamic emerges from trusting, open relationships that facilitate constructive challenge and generate constructive criticism from both executive and non-executive board members.<sup>105</sup> Our interviewees identified several factors that helped to improve the level of challenge: the clarity, focus and ordering of the agenda; the quality of information provided to board members; the amount of time allotted for discussion; and the chairman's ability and willingness to facilitate a challenging discussion.

However, it is easy to stifle challenge. For example, a defensive permanent secretary may structure the agenda in such a way so as to limit time for discussion. One interviewee described board discussions thus: "Our meetings tend to be more receiving information rather than engaging in a meaningful way that will impact departmental action."<sup>106</sup> The importance of the permanent secretary's leadership in facilitating a challenging discussion was highlighted by some DGs who felt the depth of discussion was limited by the chair. As one told us: "There's a limit to the chair's appetite for how much he wants to be challenged." It is the chairman's responsibility to set the tone for a challenging boardroom dynamic, but they do not do this effectively in all Whitehall departments. An interviewee told us: "The role of the chairman is to manage the board and hold the executive to account, and that is simply not the case here... there is not the required challenge."

<sup>105</sup> Kakabadse and Myers (1996), 'Boardroom skills for Europe'

<sup>106</sup> Interview with Whitehall director general

One final factor that was raised as a potential inhibitor of challenging board discussions was the presence of observers at board meetings. Some departments, including Defra, FCO and DCSF, allow a small number of staff from the department to sit in on board meetings. The Ministry of Justice is particularly open and offers up to 20 places for observers at some board meetings. Most interviewees felt a small number of observers was acceptable and did not alter the dynamic of board meetings. However, some DGs raised concerns about allowing observers into the boardroom. As one interviewee said: "Sometimes you need to have one board member saying to another 'you have got it completely wrong', and I don't think you should do that in front of a lot of people."<sup>107</sup> There is a strong temptation to use observers as a communication tool for the board, but departments need to assess the trade-off between board visibility and a challenging boardroom atmosphere.

In terms of boardroom dynamic, decision-making boards showed a commitment to open, challenging discussion at meetings. Figures 17 and 18 detail the results of two board meetings observed by the research team. The meetings were coded in real time, classifying each interjection from a board member according to tone and purpose into 11 categories, e.g. questioning, challenging or criticising. The charts below report the percentage of interjection by type, i.e. time is not a factor and each utterance was counted equally regardless of length. The full list of code categories can be found in Appendix 2.4.

### **Providing adequate challenge**

*There's a limit to the chair's appetite for how much he wants to be challenged.*

**Director General**

*Discussions on performance are carefully managed, and we tend to 'talk time out' on presentations to avoid challenge.*

**Director General**

*There is no trust [among board members], no open real discussion and only ritual challenge.*

**Director General**

*There is not enough challenge at the board meetings in my view. You only see that in the executive team meetings, not the full board.*

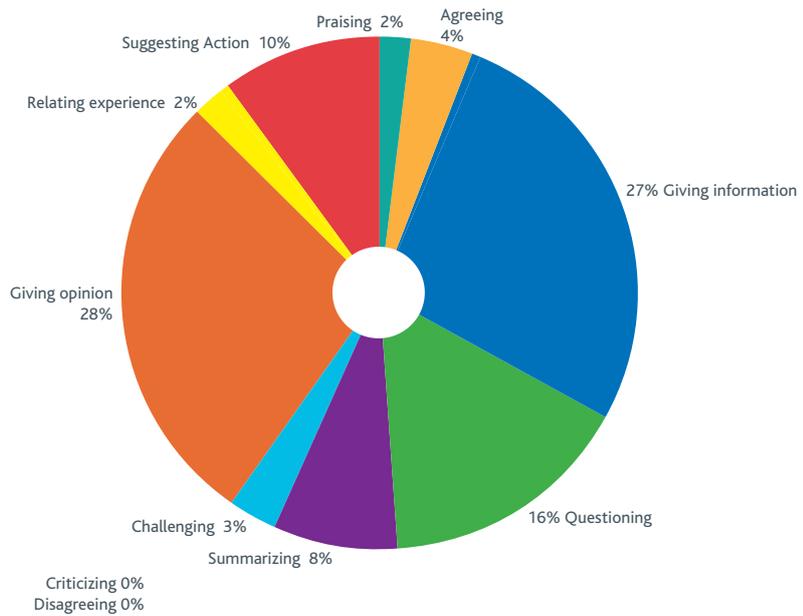
**Director General**

*I would not say there is a culture of challenge. You need to have constructively challenging relationships not just challenge to score points.*

**Director General**

**Figure 17: Proportion of board meeting interjections according to tone and purpose**

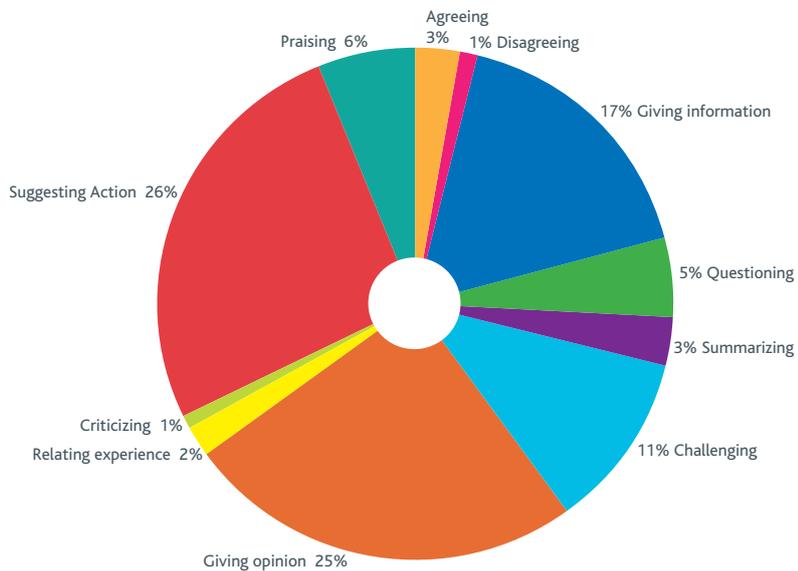
**Low Performing Board**



Source: IfG observation of board meeting

**Figure 18: Proportion of board meeting interjections according to tone and purpose**

**High Performing Board**



Source: IfG observation of board meeting

Figure 17 shows the discussions at an 'advisory' board, while Figure 18 reports the observations for a decisive board. As they illustrate, there is a significant difference in the amount of 'challenging', 'disagreeing' and 'criticising' interjections. In the high-performing decisive board, around 11% of comments were of a more challenging nature. In contrast, in the low-performing board meeting only 3% of comments could be described as challenging or critical – a difference of nearly five-fold.

The meetings also show a significant difference in the amount of 'action suggested'. The high-performing board members expressed almost twice as many comments suggesting actions (26%) as the low-performing board (10%). The low-performing board instead spent proportionately more time in the safer, but perhaps less productive, space of 'giving information', 'factual questioning' and 'giving opinions'.

Obviously, with such a small number of observations, we cannot extrapolate too much from the data above. However, our discussions with members of these boards suggest that the meetings observed were fairly typical in tone. It was striking that even with a limited number of observations, we can pick out a marked difference in focus between the high and low performers.

Criticism and challenge, even in their constructive forms, can be difficult for board members to take. As one non-executive explained, "I think with all boards if it ends up being a battle ground then it does nobody any good; there is a fine balance to strike between being on somebody's side and being that critical friend." This principle holds true for executive members as well. Many career senior civil servants will not have had experience of boards, and while they may receive some management training, there is currently no programme to develop key board member skills for newly appointed DGs. If boards are to be the central component of departmental governance, they will need members who understand how to be an effective contributor to the board, and a shared understanding of the appropriate balance between challenge and support.

### Effective use of non-executive directors

Non-executives are fundamental to a well-functioning board – their presence is one of the primary differences between a corporate board and an executive management team, and they should bring independence, experience and specialist skills to the table.

Effective use of NEDs requires a clearly defined role for them on the board, effective engagement by the permanent secretary, both in the meeting itself and in between sessions, and the quality of information provided to non-executives. Again, the capability reviews have pointed to the need for improvement in the way non-executives are used, especially in relation to underperforming departments. To take the example of a (now much improved) department that was described by its own minister as 'not fit for purpose': "the level of external scrutiny and challenge from non-executive directors needs to be further developed for the scale and importance of the business in which the Home Office is engaged".<sup>108</sup>

The diverse experience of non-executive directors should be an asset in solving challenging problems.<sup>109</sup> One DG said that if she could change one thing about her board she would "make [the board's composition] more diverse, in skills and background, because it creates a much richer discussion". An over-reliance on any one sector can be detrimental to the board dynamic, and risks groupthink, which the presence of NEDs is designed to counter. This problem of groupthink also raises a question about whether senior civil servants should be sitting on multiple boards as NEDs. This is a relatively rare practice, and it was not identified by interviewees as a problem, but it could be argued that it runs

<sup>108</sup> Cabinet Office (2006), *Capability Review of the Home Office*

<sup>109</sup> Mellahi (2005), 'The dynamics of boards of directors in failing organizations', p.263

counter to the idea that non-executives should act as a source of independent challenge and outsider perspective. On the other hand, NEDs sitting on multiple boards could be used as a tool for collaborating on cross-cutting challenges. Future research on Whitehall boards should look at this practice and its impact on joining up departments.

Figure 19 sets out the professional background of NEDs across departments. Just over half come from a public sector or local authority background, a little under half from the private sector, with the remainder coming from the third sector. There is a growing political debate about whether a higher proportion of NEDs should be drawn from the private sector,<sup>110</sup> but this has to be balanced against the benefits of having operational experience from the public service 'front-line' and representation of delivery partners on the board.

Above all, departments should take care when making new NED appointments, developing a role profile that identifies the background, skills and personality type the board needs from a new non-executive.

The current appointment process for NEDs varies considerably by department. Ultimately, the permanent secretary has the authority to appoint non-executive directors, and can do so unilaterally, which is not necessarily the norm, but not without precedent. At present there is no real oversight for how NEDs are recruited. Treasury guidance on the appointment process calls for an open and transparent process, but establishes no oversight or ratification process for NED appointments.

#### **Effective use of NEDs**

*NEDs are not used well, I don't think they are clear about what they are there to do, and it's a failing of the chair to be clear about what their roles are.*

**Director General**

*No, they were not used effectively. I don't know if we didn't get them the right information, but we couldn't get much challenge out of them.* **Director General**

*I think we could go a bit further than we have on the NEDs being used outside the board room.* **Director General**

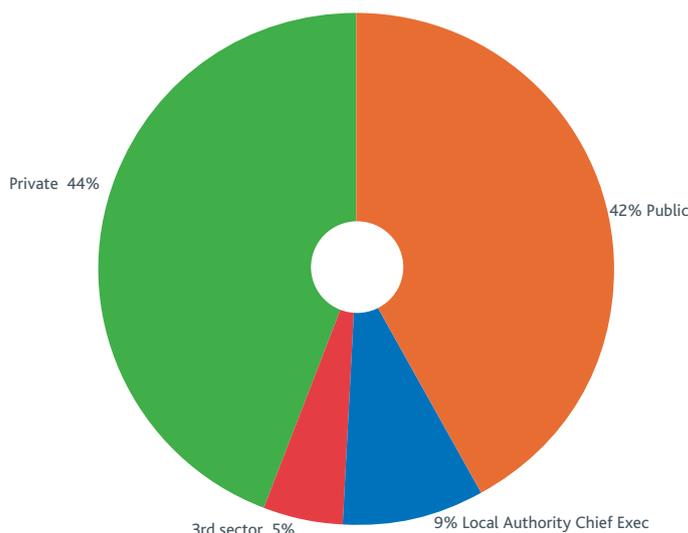
*When NEDs do challenge the executive team, we tend to get defensive and 'circle the wagons', which makes them reluctant to do so.* **Director General**

*The level of collective experience and knowledge NEDs share is completely taken for granted by the Cabinet Office.* **Whitehall Non-executive Director**

110 The Opposition has recently proposed that at least three-quarters of NEDs should have a private sector background.

**Figure 19: Professional background of Whitehall NEDs by sector**

**NEDs by Sector**



Source: IfG interviews of directors general and departmental websites

NEDs are commonly appointed based on their specific experience or skill set by permanent secretaries. However, some of the NEDs we interviewed raised the issue of being over-used outside of the boardroom, beyond their contractual obligation. "It is a dilemma if you are a non-executive and you spend too much time [working with executives], independence goes out of the window." Some NEDs felt they were being used more as consultants for little or no pay. One told us that: "We are supposed to be taking a more proactive role for audit and financial information... that means we have got to spend more time on that, so we have said, 'okay but it's going to cost you some money', but there has been no response."

In GCHQ, this practice has become so commonplace that they do now pay their NEDs a consulting fee if special projects exceed the number of days specified in non-executive director contracts. This is not to say the only role for NEDs is inside the boardroom. On the contrary, NEDs have a crucial role in mentoring and advising executive members. Moreover, private sector research shows that boards that require non-executive directors to take up 'specific portfolios' of the organisation often perform better than boards that keep their NEDs at arm's length.<sup>111</sup>

Non-executives participating in our focus groups described a highly variable induction process across Whitehall. The majority of NEDs we interviewed described their experience of getting to grips with their departments as more dependent on their own initiative, rather than being taken through a well-structured induction programme. Even high-performing boards seem to lack a well-rehearsed process for acclimatising their NEDs. As one non-executive told us: "My induction would best be described as patchy. I got sent to the National School for two days. That was quite good, but there was nothing after that."

The importance of having a detailed understanding of the department was widely trumpeted by interviewees – as one non-executive put it: "You have to

111 Interview with Andrew Kakabadse

go out and put time into understanding how the business operates.” Based on the 12 NEDs we interviewed, no department has quite got its induction process right. Boards looking to improve the value-add of non-executives’ contribution need to develop a comprehensive induction process, which should seek to “clarify the role of the board and agree success criteria, maximize the role of the non-executive, spend time building relationships between members, set aside time to review board performance against your own success criteria”.<sup>112</sup> Indeed, private sector companies generally have well-structured non-executive director induction programmes that should be emulated in Whitehall.<sup>113</sup>

The final, and perhaps most fundamental, point is that it is not clear exactly whom Whitehall non-executives represent. In a corporate context, the NED is typically there to represent the shareholders’ interests. One could argue that the closest equivalent in the public sector is the citizen or taxpayer. Yet most ministers would see themselves as representing this interest. The NED therefore, is arguably being cast in a very different and perhaps unclear role – to provide a challenging, independent viewpoint, but not necessarily backed by any real authority. This issue is made potentially more complicated if ministers are to play a bigger role in boards.

## Accountability and corporate behaviour

Commentators often cite accountability as a persistent, unresolved issue for the whole of the civil service.<sup>114</sup> The dual-track leadership of departments, headed by both a secretary of state and permanent secretary, results in a lack of clarity about who leads on given areas, and where exactly responsibility lies for any given issue. The introduction of boards has added another element to the unresolved question of accountability in Whitehall.

Ministers are accountable to parliament for policy, which – combined with an adversarial political system and 24-hour news cycle – results in an emphasis on short-term policy outcomes and little focus on long-term departmental capability. Moreover, the relationship between ministers and the board remains ill defined. As one Whitehall non-executive said:

*I think one of the challenges in comparison to a private sector organisation is about using ministers and management boards. Who is accountable for deciding which programmes and policies to adopt? I don't think there is clarity on that.*

The accountability issue is not unique to boards, however. It is a cultural problem that permeates much of the civil service. One non-executive we interviewed derided the entire civil service culture of accountability:

*Once I got inside the bureaucracy, I was able to realise how truly awful these things were... what I observed was an absence of accountability. There was a culture where mistakes were covered up... I only discovered that by being within the organisation, things going wrong and nobody wanting to take accountability for it. The problem for me was that no one was learning because of it; if you don't learn from history you are bound to repeat it.*

This culture of blame avoidance has consequences for decision-making at the top of departments, as another non-executive told us:

<sup>112</sup> Cray (1994), 'Inducting non-executive directors of trust boards', p.31

<sup>113</sup> For example see BHP Billiton (2007), 'Non-executive director induction programme'

<sup>114</sup> Lodge and Rogers (2006), *Whitehall's Black Box*

*I put it down to a lack of individual accountability. Decisions only seem to be made if you get total buy in, I could not believe how much buy in you need, by [a private sector] yardstick you would have been down the track a long time ago.*

The current constitutional arrangements fail to address the collective accountability of boards, with the doctrine of ministerial responsibility meaning that ministers and, to a much lesser extent, permanent secretaries, are the only figures held publicly accountable for results. The accounting officer principle, which holds the permanent secretary solely to account for money spent by the department, leads to an unbalanced power dynamic on boards. One DG told us that “when you combine [the office of] chairman, chief exec and finance director together you have an incredibly powerful position and concentration of power in a single person [permanent secretary]”. This imbalance is compounded by the relatively small proportion of NEDs on departmental boards.

A board’s ability to operate as an effective corporate group requires not just clear roles and accountability, but strong relationships. A number of DGs expressed concerns around the corporate working of the board. As one DG explained: “the board’s effectiveness depends on the personalities around the table, and currently they’re all interested in protecting their own fiefdoms.” Boards were established – at least in part – to break down the silos within departments, but this has not happened across Whitehall. Another DG explained that it can be difficult to work corporately:

*Unfortunately, when you are a board member, half of your head is thinking about your directorate responsibility and the other half is thinking about the corporate responsibility and this can lead to suboptimal group working.*

## Financial capability

There has been a major drive to improve the professionalism of the civil service over the last decade, with initiatives such as Professional Skills for Government setting out what is expected from the senior civil service. In particular, there has been a drive to ensure that all finance directors have a professional finance background, a condition that was finally met in 2009. This has led to an increase in the number of outside appointments in senior civil service positions to fill operational and commercial roles – as of 2007, 42% of DG appointments have been external.<sup>115</sup> However, some of the finance directors we interviewed felt that the benefits of this skills drive had not yet been realised at board level.

Seventy-five per cent of the finance directors we interviewed felt that they were not able to make a full contribution to their department’s strategy and decision-making. Some felt more like scorekeepers than key players in the taking of big decisions. One finance director we spoke to observed that “finance is more about where we have been, rather than where we are going and we should be using financial tools to take better decisions”.<sup>116</sup>

In some departments, including Defra, DfT and DECC, finance directors are not full board members,<sup>117</sup> which would seem both to betray the drive for greater professionalisation and to hamstring the board’s financial capability. Given the difficult fiscal situation faced by government in the coming years, there is a strong case for FDs to be more empowered in their roles, not marginalised in the boardroom.

<sup>115</sup> House of Commons Public Administration Select Committee (2009), *Outside Appointments to the Senior Civil Service*

<sup>116</sup> Interview with Whitehall Director General for Finance

<sup>117</sup> These departments have a catch-all DG for corporate services with responsibility for IT, HR, Finance, and in some cases communications. The finance director post is held by a director level civil servant and this person is not a full board member, though they may attend meetings.

The finance gap at the top of departments is symptomatic of a wider cultural weakness around financial capability in government. The lack of an explicit connection between PSAs and spending allocations is one such example of the current disconnect between finance and strategy in government. Giving FDs a greater role on departmental boards would be a step towards closing this finance gap, at least at the departmental level. As discussed earlier in the report and further in Chapter 3, additional action may be needed to more closely connect budgets to cross-departmental objectives.

Although the issue was not raised by any of our interviewees, discussions with private sector experts and academics stressed the importance of having an HR director on the board.

## Board best practice

As with the descriptive statistics of boards' structure, composition and performance, the qualitative data gathered from DG and non-executive interviews was highly varied, reflecting the diverse nature of departmental boards. Having identified the above barriers to effectiveness, this section captures the positive side of the story, highlighting examples of best practice uncovered in our interviews.

## Role and remit

An effective board begins with a clear role to manage and oversee the department, building its structures and processes around a strong, shared sense of common purpose. Decision-making boards exhibit this clarity of purpose, typically seeing the role of the board as:

*Setting strategy for the department – in partnership with the ministerial team, determining the policy priorities, how resources should be allocated to meet those priorities, monitoring delivery against those priorities, managing risk and ensuring capability to deliver on priorities.<sup>118</sup>*

This is not to say that all boards must share a standardised remit, but it is crucial for boards to establish clear ownership of the department's priorities, based on their specific context and requirements.

## Engagement with ministers

The high-performing decision-making boards hold regular joint sessions between the full board, including NEDs, and the ministerial team. DCSF, FCO and BIS, for example, use biannual away days between the full board and ministerial team to deal with strategy and policy issues. Again, it is worth pointing out that the effectiveness of ministerial engagement on strategic issues also depends on the minister of the day. One DG said of the away days:

*We recognised that we weren't giving quite enough time to the broader strategic discussions and making a landing on whether real policy priorities were within the strategy. You clearly need to engage with ministers on that. We have away days with ministers: we had two with [the ministerial team] and you need to do that then in order to take the discussion further within the board.*

118 Interview with Whitehall Director General

The Department for International Development holds more regular, informal meetings with the secretary of state, as one DfID DG told us: “I think the meetings with him [the secretary of state] are terrific; they are fast paced, very substantive and totally honest.”

Decision-making board members do discuss strategy, but they generally do it outside of the formal monthly meeting – opting for away day strategy sessions.

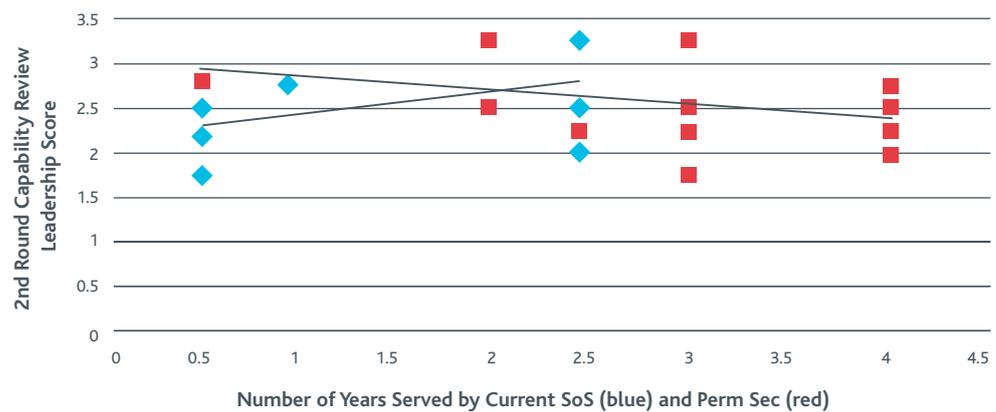
However, based on our interviews and the ephemeral nature of ministers, we do not believe the engagement strategies with ministers for even the best boards go far enough. If corporate working is to permeate departments and the whole of government, it must happen at the highest level. A joint strategy board, comprising the full board and the ministerial team would address this issue.

This would require ministers and the departmental board to develop strategy, set policy priorities and address key delivery issues in corporately. This arrangement would allow ministers to engage with the board in meaningful way. Moreover, a strategy board would give the secretary of state a forum to align the priorities of the ministerial and senior management teams, while allowing the separate departmental management board to focus on the details of delivery. Non-executive directors could add value on both boards, challenging on both strategic direction and the delivery of policy. The configuration of strategy boards would differ between delivery and policy departments, but the unifying purpose, aligning ministerial and departmental strategy, would remain constant.

Much of the data provided in this chapter produces a snapshot of boards, looking at specific moments in time and comparing them with corresponding measures for performance. However, we would be remiss if we neglected one of the more troublesome aspects of British politics: the rapid turnover of ministers. The fluidity with which ministers come and go is clearly a problem for departments. Figure 2 plots the length of tenure for a secretary of state against the capability review leadership score for their department. As the scatter plot makes clear, another one of the characteristics of more effective departments appears to be that their ministers tend to stay in place for longer.<sup>119</sup> Longer ministerial terms will naturally allow the board and the minister to build a deeper working relationship, as well as allowing the minister to build expertise in the area.

119 Of course, it is possible to argue that Prime Ministers are apt to 'let sleeping dogs lie' – leaving departments that are working well alone when it comes to reshuffles. This means that some of the causality could go from effective departments to long-serving ministers, rather than the other way around.

**Figure 20: Length of tenure for secretary of state (blue) and permanent secretary (red) vs departmental leadership**



Source: Cabinet Office capability reviews and [www.dodonline.co.uk](http://www.dodonline.co.uk)  
 Note: 11 data points overlap, N = 15

## Departmental Boards: A Ministerial Perspective

One of the major themes to come out of the interviews with senior civil servants was the importance of engagement between the board and the ministerial team. Since our qualitative research was based predominantly on interviews with executive and non-executive directors, we conducted one final interview with former Cabinet Minister David Blunkett MP in order to gain a ministerial perspective on departmental boards. While we cannot draw conclusions from a single interview, we would be remiss not to include the points raised.

### Responsibility and Accountability

From Mr Blunkett's perspective, establishing clear lines of responsibility in departments was a perennial struggle. "Ideally, the secretary of state is meant to be responsible for policy direction. The permanent secretary is responsible for the management of the department and the board should be responsible for delivery. But the lines are never drawn that clearly." However, with a solid relationship and understanding between the secretary of state and the permanent secretary, "departments can get to grips with the overlapping responsibilities".

### Board Effectiveness

In terms of overall effectiveness of boards, Mr Blunkett was generally positive: "boards helped at the margins, in terms of getting people to see a common purpose, either in prioritisation, where resources are concerned or reallocation of time or manpower, or in understanding the coherence of a cross-departmental approach to the bigger macro issues".

As secretary of state for education and employment, Blunkett took a very hands-on approach to engagement with his board. Unusually, he elected to chair every other meeting, something which no minister currently does. Mr Blunkett argued that this arrangement "helped senior officials in the department understand what [ministerial] thinking was on issues, and [helped ministers] understand what officials were concerned with."

## Corporate Behaviour

One of the principal theoretical benefits of boards is corporate behaviour at the top of organisations. Mr Blunkett agreed with the premise, but warned that it takes work. "As far as the board was concerned, we didn't get [corporate behaviour] right at the beginning when I was home secretary, but as we developed these meetings, it created a greater collegial approach between all of us. It's much more difficult when you have shared a meeting like that to end up more divided on an issue, because everyone has had a chance to express themselves."

## Non-Executive Directors

Mr Blunkett felt non-executive directors were crucial "in developing good leadership, in bringing a breath of fresh air as to what was happening elsewhere, in opposing the syndrome of 'I'm sorry we've always done it this way', or 'we can't do it that way', or 'it's too difficult'. The NEDs were there to actually reinforce that change was necessary, that it could be achieved and that things that were happening outside could be brought in and happen in a different environment". However, Mr Blunkett was quick to point out that not all NEDs are effective, and that the appointment process – specifically, that permanent secretaries hold sole responsibility for appointing NEDs – is in need of reform. Namely, Mr Blunkett argued that there should be some ministerial input in appointments.

## Advice for Ministers

Asked what advice he would give to incoming ministers for running an effective board, Mr Blunkett offered the following:

- Regular joint meetings between the full board and ministerial team, chaired by the secretary of state;
- A clear understanding between secretary of state and permanent secretary on responsibilities and accountability;
- A clear sense of the role of NEDs and how to use them effectively;
- Outcome measures to monitor what happens in those meetings to prevent them from becoming talking shops or from getting bogged down in trivia.

## Evaluation and development

In the private sector, the best chairmen know that boards cannot be transformed overnight. These chairmen generally recognise the need to develop themselves and their fellow directors, individually and collectively.<sup>120</sup> Becoming a fully functioning decision-making board requires a considerable amount of effort: interviewees from high-performing boards stressed the amount of work that has gone into improving their boards' performance.

A DG from a transition-type board explained: "Getting to where we are has been a product of three years of work, and certainly when I joined the board, we were not at all effective." Self-evaluation is the first step towards better governance and a mainstay of high-performing boards in Whitehall.

<sup>120</sup> Kakabadse and Kakabadse (2008), *Leading the Board*

Evaluation and development should include a two-pronged approach, encompassing both spot self-assessments and annual performance appraisals. In a small number of departments (including Defra and the Home Office), a short period of self-reflection led by one board member follows every meeting. This encourages immediate improvements in the operation of the board and can be used to support a well-structured annual evaluation of collective and individual performance. Of the boards running such an evaluation, most do so as an internal process. The Department for International Development is an exception, having gone through two external appraisal processes in the last five years.

In terms of development, a particularly interesting and promising practice we noted was that of employing an external coach to help build better processes and relationships, and improve the quality of board discussion. The Home Office's use of a board coach was central to the sizeable steps the department has taken to improve its leadership and governance. One DG from the Home Office insisted: "our board coach did really help." Recognising the need to improve its board, the Department for Culture, Media and Sport has recently begun working with a board coach as well. Each department will have specific development needs, but implementing an evaluation programme should be universally required. Newly appointed executive board members should also be given training on how to be an effective board member – currently no such programme exists.<sup>121</sup>

## Board processes

A well-constructed agenda was highlighted by both NEDs and DGs as essential for an effective board meeting. In addition, the quality and brevity of performance information and board papers was identified as a further precondition for productive board discussions. The wider research literature supports the same conclusion: providing too much or too little information to the board hinders meaningful discussion.<sup>122</sup> DWP and the Home Office were identified in interviews as having worked hard to get their performance information for the board to a high standard. The extent to which a board is able to produce disciplined agendas and concise performance information is determined by the quality of its secretariat.

Decisive boards generally have adroit board secretariats capable of cajoling action from board members, and ensuring the timely delivery of informative and concise board papers. One interviewee claimed that "the key to a good board is a strong board secretariat, which should be linked to [a] performance management function".

Several departments have recently taken to strengthening their board secretariat. The Home Office was first among a small number of departments (including the Department for Energy and Climate Change and the Department of Health) to make the role of board secretary a senior civil service position. The result of this change has been hailed among Home Office board members: "The current [grade 5] board secretary has added enormous value to the board just in terms of questioning people and making sure things get done." A DG from a decision-making board told us: "You need a heavyweight in that role... our board secretariat performs well and is very good at following through on action points."

<sup>121</sup> One option could be to combine this with the support and development programmes for NEDs  
<sup>122</sup> Mellahi (2005), 'The dynamics of boards of directors in failing organizations'

## Accountability case study

While there are obviously accountability-related problems in some departments, not all boards suffer from an aversion to accountability. For some departments, boards are themselves a mechanism for accountability – used to assess the performance not just of the department, but breaking down the performance of directorates and holding both DGs and directors to account for their units.

The Department for International Development is governed by a highly regarded management board. DfID consistently receives top staff survey results on its leadership, and the Cabinet Office Capability Review rates DfID leadership as the best among Whitehall departments. In many ways DfID's board exhibits best practice for structures and process.

DfID's management board has made performance management a priority. Along with quarterly performance management meetings that cover the department as a whole, the board carries out annual performance assessments on individual directorates within the department. Every year director level civil servants are brought to the board to give an account of their division's performance. The primary concern for the board is the performance of the division in question, but the director responsible is held to account by the board. The board members structure their questions around a core of key themes for the wider department and can supplement these with division-specific questions. Should the division be found to be underperforming in a given area, action points will be drafted up, for both the division to deliver on, and for the management board to carry out in order to support the director and the division to deliver better performance. At the next review meeting, 6 months later, the director must demonstrate that the actions to correct any performance shortcomings were undertaken.

The practice of involving the board in this level of performance management is unique among Whitehall departments, in that the board is not just holding its own executive members to account, but the management staff below them. It provides an interesting model for boards across Whitehall to consider in driving better performance from their senior civil servants and ensuring action is taken should performance be found to be lacking.

## Relationships

Even the best board processes can be rendered ineffective if the board is not built on solid relationships. Well-functioning boards tend to have a chemistry that cannot be easily quantified, but this does not mean it cannot be improved. One DG from a decisive board told us: "We have a very stable board that gets on very well together and I think that's been a big factor in our success." Another DG emphasised the work that goes into building a good dynamic: "Our relationships are quite strong and you do not get that very often, but then we have actually worked hard at it." Good relationships build a 'virtuous circle' for boards, where one good quality builds on another.<sup>123</sup>

In building better relationships, a board coach can be helpful, but the onus is really on the members of the board. Simple efforts like meeting socially, or holding an informal dinner the night before a board meeting can go a long way in improving the quality of board discussions. DCSF regularly runs such dinners

<sup>123</sup> Sonnenfeld (2002), 'What makes great boards great?'

with the board, often inviting chief executives from delivery bodies as well. One non-executive told us that a former permanent secretary used informal dinners and social gatherings to transform a contentious relationship with his NEDs into a trusting partnership.

While improving relationships and calling for more social outings might sound like a strange approach to improving departmental governance, boards that ignore the importance of the human element in their task do so at their own peril.

## Recommendations

In this chapter we have described the current state of departmental boards, detailed the barriers to effectiveness, and produced a high-level model for an effective board. Based on our assessment of departmental boards, we have developed a typology, classifying them as advisory, decisive or transitional. We feel this typology accurately captures a snapshot of boards today.

As a first principle, boards should be the focal point for performance management and ensure the delivery of mission-critical projects. Boards add the most value when they are effectively overseeing the performance of their department. A key outcome of reforming Whitehall governance should be improving the ability of departments to manage their own performance and capability. Building on the above barriers to effectiveness and the synthesis of best practice, the following recommendations are aimed at improving the performance of Whitehall boards:

Nearly half of interviewees identified **problems with the level of engagement between the board and the ministerial team**. The lack of clarity around the relationships between the secretary of state and the board must be addressed to ensure engagement is relevant, regular and effective.

- 1. Departments should create strategy boards.** The dual-track system of departmental leadership in Whitehall results in a disconnect between strategy and operation. Strategy must be developed jointly with ministers and officials, but the current governance arrangements are not bridging the gap between strategy and delivery. To ensure this happens, departments should create a strategy board comprising the ministerial team and full management board, which could be chaired by the secretary of state. These sessions would focus primarily on developing departmental strategy and priorities. Strategy boards would be required to publish departmental business plans, and assess the headline performance of the department against the plan. This new practice would allow the ministerial team to engage where most appropriate, while allowing the management board to focus regular monthly meetings on performance management and operational issues. This structure would ensure continuity between strategy and delivery, as the management board members (including NEDs) would attend both the strategy board and management board meetings. Meetings would be regular, and should be supported by away day sessions. Immediately following elections and reshuffles, it is recommended that these joint meetings with ministers be more frequent.

Owing to the accounting officer principle, the current structure of departmental boards leads to a concentration of power in one role. **The result is disempowered**

**finance directors and a continuation of the disconnect between finance and strategy.** Finance directors need the clout to bring financial insight to the fore.

**2. Finance directors to have full board membership.** Given the imminent fiscal consolidation facing departments, the role of the finance director will be increasingly important. To ensure the finance capability of boards, improve the balance of power, and encourage more financial input into strategy decisions, finance directors should be a DG level position, and hold full board membership (which they do not have in all departments). The government should also consider giving FDs the same kind of power to freeze spending that is granted to local authority finance officials under section 114 of the 1972 Local Government Act. This would give FDs more leverage on the board, strengthen the demand for top-quality finance professionals in Whitehall, and promote the role of finance in decision-making.

Non-executive directors are the source of independent challenge on boards, and should have a clear value-adding role in the Whitehall governance model. But, a number of issues were raised by both executive and non-executive board members. **An appointments process unilaterally dominated by the permanent secretary, defensive posturing of the executive team, and an inadequate induction process all hinder the ability of NEDs to have a positive impact on departmental governance.**

**3. NEDs to sit on both management and strategy boards.** To maintain continuity of strategy and operation, non-executive directors should attend and have a clear role on both boards, challenging on issues of policy and delivery.

**4. NEDs should have a clear line to the Cabinet Office if they have concerns.** The Cabinet Office has a role to play in strengthening the role of NEDs. There should be a single point of contact in the Cabinet Office, with whom all non-executive directors can raise issues and concerns. This office should have direct access to the cabinet secretary, allowing serious concerns to be flagged at the highest level of government. The Cabinet Office should also take responsibility for part of the NED induction process, ensuring that all NEDs have an understanding of the government's cross-Whitehall strategy.

**5. Ministerial involvement in NED appointments, but with independent sign-off.** When appointing a new non-executive director, boards should follow a transparent process and form an appointments committee, which would include the secretary of state. The secretary of state needs confidence in the talents and instincts of the board when they are not present. But new appointments should be ratified by a central appointments body, such as the civil service commissioners. Under such an arrangement, boards would be required to account for their appointments to an independent body.

**6. Clear NED role in performance appraisal of other board members.** NEDs should take an active role in performance appraisals of the permanent

secretary and all members of the executive team. They should also be involved in the decision to renew the contracts of the permanent secretary.

- 7. Stronger induction of NEDs and communication of their role.** Boards should be required to develop a well-structured induction process for NEDs, which is subject to central appraisal. This induction process would be supplemented by a central programme aimed at communicating the role of NEDs, expectations for the role, lines of accountability, and programme on the whole of government strategy.

An effective board must be supported by a high-performing board secretariat, capable of driving efficient agendas and following up action points and decisions. If boards are to take a greater role in overseeing departmental performance, **they must be supplied with timely, relevant and accurate information.**

- 8. Powerful board secretary.** Board secretaries need to have ample authority and clout to enforce action points and ensure timely reports and/or information from DGs. In some cases, this may require a senior civil service appointment to fill the post. Additionally, there should be a stronger link between performance management and the board secretary function. The goal of this would be to improve the quality of performance information provided to the board, thereby improving departmental oversight of performance.

The importance of board improvement is largely overlooked in Whitehall, with too many boards relying on capability reviews alone to steer governance improvements. **An integrated approach to collective board evaluation and development is not universally followed, and training for board members is virtually non-existent.**

- 9. Formal performance management of board members.** As part of their appraisal framework, executive members of boards should be assessed on their performance as an effective board member and their ability to work corporately with other DGs. This should incorporate 360-degree feedback from all board members. A proportion of board members' performance-related pay should be linked to this assessment.
- 10. Annual board appraisal.** Boards should be required to undertake an annual evaluation, assessing the performance of individuals and the collective board. In the future, these evaluations could be carried out externally.
- 11. Skills development for chairs.** If ministers are to chair the joint strategy boards, they should receive development support on how to be effective chairs and facilitators. This would include an induction programme, workshops in strategic leadership and consensus building, and skills for understanding group dynamics and interpreting behaviour.
- 12. Learning and development for boards.** This should begin with establishing a collective competence of the board. From this framework, executive board members should be required to receive training and development on being an effective board member. Most DGs receive management or leadership training, but there is seldom any development

done to improve the effectiveness of DGs in their role as board members. To facilitate joint board development, departments should consider employing an external board coach.

## Further options

Having identified concerns around the level of challenge and the ability of permanent secretaries to engage all members of the board in facilitating in-depth discussions, there is a case to be made for an independent, non-executive chairman for departmental boards. In 2008, HMRC underwent a full-scale governance restructuring, appointing a new board with a majority of non-executives and an independent, non-executive chairman. It is still too early to assess how these governance changes have affected performance, and whether or not HMRC's reforms are transferable to other departments, particularly as HMRC is a non-ministerial department. However, future governments should explore a non-executive chairman as a potential option for increasing independence, ensuring challenge and marshalling effective performance management at the top of departments.

There are clearly more radical options that could be considered around the governance and accountability arrangements of departments. For example, the case has been made in relation to many public sector bodies that members of the public could be appointed to represent the public or user interest.<sup>124</sup> Our judgement is that most boards should start using tried and tested methods to improve their performance, before looking at more radical options.

## Conclusion

Within the British constitution and style of government, departments have enormous power and considerable autonomy. Yet their governance arrangements are a classic British fudge. Power and accountability is diffused, and confused, between ministers, the permanent secretary and now with other board members too.

This chapter brings together – we think for the first time – a detailed empirical analysis of how departmental boards have begun to operate. Our conclusions are broadly positive. The emergence of boards represents an important practical innovation in British government. They are working increasingly well in a number of departments. However, we also conclude that some departments have a long way to go. In those departments where both capability reviews and staff surveys identify weaknesses in the leadership of the department, and where boards generally remain purely 'advisory', action is needed to catch up with current best practice in governance.

At the heart of the issue is the relationship between ministers and mandarins. We believe that specific refinements to the operation and structure of boards can improve the governance of departments and adequately respect our constitutional conventions.

There is no doubt that there are many other improvements in how departments, and the public services and functions that they oversee, can be identified. But ultimately we want institutions that are able to drive and improve their functioning for themselves. For this, they need good internal governance. If departments can get this right, then more than half the battle is already won.

<sup>124</sup> See for example debates around NICE and the National Lottery, both of which have sought to incorporate direct public representation onto their boards.

# Chapter 3: More effective collaboration

“ One more peculiarity in the Civil Service remains to be noticed. It is what might be called its fragmentary character... Each man’s experience, interests, hopes, and fears are limited to the special branch of service in which he is himself engaged. The effect naturally is, to cramp the energies of the whole body, to encourage the growth of narrow views and departmental prejudices... ”

*Northcote–Trevelyan Report, 1854*<sup>125</sup>

Many pressing challenges facing the country do not fit neatly within the remit of any single government department or agency. Collaboration across institutional boundaries is necessary for any government that wants to make policy and deliver services to the public in a coherent and effective fashion. Making government more ‘joined up’ has been an ambition of government for many years, but has become a particular priority in the past decade. Whitehall has utilised a range of initiatives to enhance collaborative working, from shared targets to joint programme boards and cross-Whitehall networks. Evidence suggests that progress has been made, but most officials think there is a long way still to go. Our research identifies a range of barriers that raise the costs of cross-departmental working and fail to create strong enough incentives to prioritise collaborative activity. To overcome these barriers we suggest reform to budgetary processes in Whitehall, including a greater use of pooled budgets tied to government’s strategic priorities, with these funds controlled by senior ministers with roaming cross-departmental briefs.

The challenge of coordinating the work of different parts of government is as old as government itself. Overcoming the ‘fragmentary character’ of Whitehall has been an objective of many modernising governments over the years, but progress has often been slow, patchy or simply too difficult to assess (Figure 21). In the previous chapters of this report, we have made the case for a centre of government that facilitates the development of a whole of government strategic framework to which all parts of Whitehall should contribute. We also argued for a strengthening of boards to ensure strong departmental governance.

The danger of strengthening governance both at the centre and within departments is that a ‘hub and spoke’ system will emerge, where departments have strong and clear relationships with the centre, but weak horizontal linkages with one another. This chapter focuses on how departments can develop these lateral connections, without which government will be unable to turn a strategic vision into reality.

125 Northcote and Trevelyan (1854), *Report on the Organisation of the Permanent Civil Service*

We try to avoid assuming that collaboration implies neat and tidy organisational structures and processes, or that it depends upon formal coordination machinery. Indeed, our research clearly shows that the real value of effective joining-up mechanisms lies in their ability to foster new kinds of conversations and relationships between key players in government. These relationships cannot be over-engineered – effective problem-solving may sometimes come, at least in theory, from competition, conflict and even a little chaos at the margin.

The past decade has seen perhaps the most extensive attempt yet to solve Whitehall's collaboration challenge, which can be summed up as "how to align incentives, cultures and structures of authority to fit critical tasks that cut across organisational boundaries".<sup>126</sup> When government fails this challenge, the implications are felt far from the corridors of Whitehall, at the level of communities and individual service users. For instance, one study of families at risk in deprived Sheffield wards highlights the bewildering complexity of different teams and services, constrained by local, regional and national targets and reporting to three central departments, the local Jobcentre Plus and the government regional office.<sup>127</sup>

The fragmentation of Whitehall also hampers problem-solving at a more strategic level. Policy areas that are often cited as having been held back by a lack of departmental collaboration include social exclusion; tackling substance abuse; troubled youth; security; and civic renewal, to name but a few. Better collaboration at central government level will not solve these problems entirely, but it would certainly help.

Our research shows that there has been real improvement in joined-up working over the past 10 years, but also that performance remains variable and lessons are not systematically learnt and incorporated into future reforms. As a result, significant barriers between departments remain. These include:

- Differing departmental cultures;
- The division of budgets into separate departmental pots;
- Incompatibility of systems and other restrictions on sharing information across departmental boundaries;
- Incentive and accountability structures (for both officials and ministers) that reward a focus on narrow departmental concerns;
- Limited shared evidence bases to inform collaborative decision-making.

As a result of these barriers, government can appear to be what one interviewee described as a 'consortium' rather than 'an integrated joint venture'. This is a problem for whoever wins the next election: complex, boundary-spanning problems are simply a fact of modern government, and any future administration will need ways to address them, whether or not this includes the use of centrally set targets.

In this chapter, we argue that government needs to be more radical if it really wants to challenge the limitations that departmental silos place on efficiency and effectiveness. Most significantly, we recommend that political and financial capital should be pooled for a handful of key political priorities.

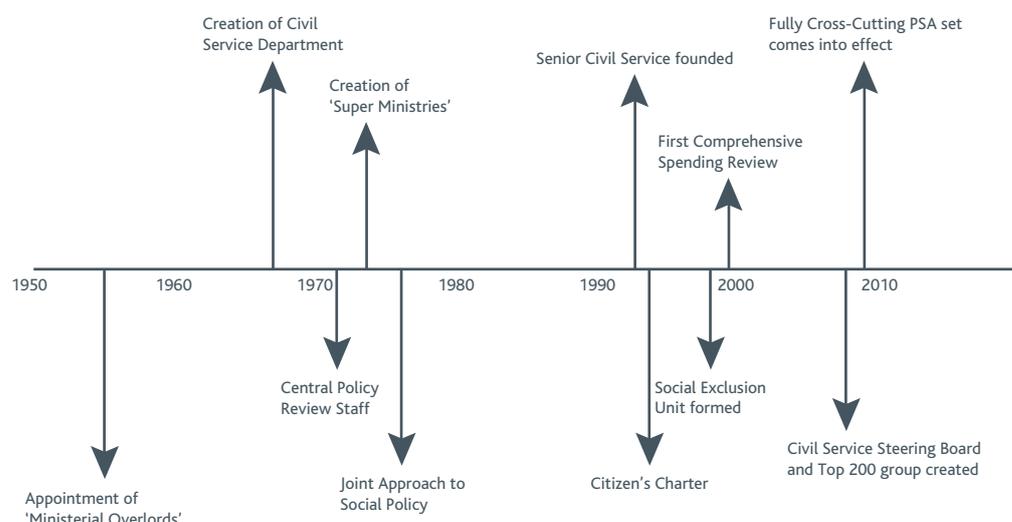
<sup>126</sup> Mulgan (2005), 'Joined-up government: past', p.176

<sup>127</sup> See Megson (forthcoming), *Developing the Whole Household Model*

This would effectively mean creating a handful of secretaries of state without a department, holding responsibility for a cross-cutting problem and a pooled commissioning budget to spend across Whitehall.

Our findings are based on a series of semi-structured interviews with senior officials in Whitehall involved in making joined-up government work. In particular, we spoke to 18 of the senior responsible owners of cross-cutting Public Service Agreement (PSA) targets – or in a few cases, officials working with them in making the PSA machinery work. We also conducted interviews with 12 representatives of cross-departmental policy bodies such as the Office for Criminal Justice Reform and officials working with cross-cutting budgets. The conclusions of this chapter also draw heavily on previous Institute for Government research in this area.<sup>128</sup>

**Figure 21: Timeline of selected joining-up initiatives in Whitehall**



Source: IfG research  
 Note: For more detail see Appendix 3.1

## Why join up?

Improving 'joined up government' lay at the centre of the first Blair government's public service modernisation agenda. The objective was to overcome Whitehall's traditional malaise of 'departmentalism' as well as the more recent fragmentation associated with the agencification and privatisation of the Conservative *ancien régime*.<sup>129</sup> From Labour's perspective, the fragmented nature of the state they inherited tended to "inhibit the tackling of problems and issues which cross departmental boundaries".<sup>130</sup> These issues included top priorities such as social exclusion and neighbourhood breakdown.

The focus on collaboration did not last, and as the government's agenda shifted towards 'delivery' in Labour's second term, so joined-up government declined from being 'the big thing' to merely 'a good thing'.<sup>131</sup> But the idea of a more joined-up Whitehall has recently risen back up the agenda under the alternative labels of 'collaboration' or 'partnership working'. This is reflected in particular by the 2007 set of PSA targets, almost all of which are jointly owned by more than one department.

128 Gash et al (2008), *Performance Art*, pp.89–90  
 129 See Kavanagh and Richards (2001), 'Departmentalism and joined-up government'  
 130 Performance and Innovation Unit (2000), *Wiring it Up*, p.6  
 131 Page (2005), 'Joined-up government and the civil service', p.139

It is unrealistic to expect to attain in full the 'administrative holy grail'<sup>132</sup> of perfectly joined-up or holistic government, with no tensions or inconsistencies between departments whatsoever. In most areas, it will be most effective for departments to retain an undisturbed focus on the areas in which they specialise, since joint working has costs as well as benefits – in the form of delays, administrative costs and more complex accountability relationships.

Government should therefore concentrate on overcoming barriers to interdepartmental collaboration that are particularly harmful, while allowing for looser forms of interaction in other areas.<sup>133</sup> In some contexts, where the overlap between departmental remits is low, mere consultation will suffice. Elsewhere, competition between departments will be the best form of interaction, as this can spur innovation and learning.

In short, the complexity of government and the challenges it faces means that there can be no 'one size fits all' approach to the management of interdepartmental relations and issues. The evidence, however, is that despite a decade of activity and some significant improvements, government has not yet achieved the right balance.

Particular types of problem that emerged from our interviews with senior civil servants included the classic coordination challenges of *redundancy*, *inconsistency* and *lacunae*.<sup>134</sup> For instance, one 'completely mad' case of redundancy, or duplication, we heard about was the lack of joint case management between agencies in the criminal justice system, which raises costs and slows down processes.

Our interviewees cited numerous examples of policy inconsistency. Some of these can be taken as a sign of healthy debate between departments representing different stakeholder groups and worldviews. But when these tensions are left unresolved, they can undermine the effectiveness and credibility of government action.

One senior official painted the following picture:

*Lots of different departments are trying to influence organisational [and business] behaviour, so GEO [Government Equalities Office] are saying it's really important you treat your people well, diversity etc and now BIS are saying it's all about skills. DH and DWP are saying no, it's all about health and wellbeing, BIS used to say it's all about flexible working, DECC says it's all about climate change, and I could go on and on. So you have got all these different departments, which for perfectly understandable reasons are saying, 'no I'm the most important,' but what you end up with is messages just getting lost in the noise. I mean, there is no real attempt to coordinate or prioritise messages.*

Lacunae, where issues 'fall into the gaps' between departments, were the principal reason for Labour's early focus on multifaceted problems like social exclusion. More recently, cross-cutting PSAs and Local Area Agreements have been designed to remedy this issue, by creating a shared focus on outcomes running from the centre to localities. But ministers and officials still appear to be driven in large part by their own department's particular objectives, leaving Whitehall a long way from the vision of policies shaped around problems rather than institutional boundaries.

<sup>132</sup> Peters (1998), *Managing Horizontal Government*, p.1

<sup>133</sup> Broadly speaking, we might speak of a scale of interaction as follows: collaboration, cooperation, coordination, consultation, communication, competition. With thanks to Winston Sutherland for the idea of this scale.

<sup>134</sup> Hood (2005), 'The idea of joined-up government', p.27

For instance, while there is a range of mechanisms for ensuring coherence of policy relating to children (see Figure 25), the equivalent machinery for other citizen groups such as the disabled or the elderly is far less well developed. This increases the possibility of poorly designed services for lower-profile (and often vulnerable) groups. For example, the NAO recently found that the lack of coordination within the tax and benefits system between local authorities, DWP and HMRC has led to 1.5 million older people overpaying £250 million in tax, while also increasing the administrative burden falling on those the system is designed to benefit.<sup>135</sup>

Certain problems or groups may be overlooked, in particular where action taken by one department has 'spillover' effects for other parts of government. For example, spending on drug-abuse treatment programmes in the NHS can generate large savings, but mostly in the form of reduced crime rates, which means that the Department of Health may not have a strong incentive to spend on this activity (Figure 22, and see Appendix 3.2). This reflects the point made by Geoff Mulgan and others that "vertical organisation by its nature skews government efforts away from certain activities, such as prevention – since the benefits of preventive action often come to another department".<sup>136</sup>

Collective goods also risk being underproduced. In one interview we were told of a minister going around Whitehall 'with a collecting tin' to try to amass sufficient funding from individual departmental contributions for a joint R&D project which was widely supported and which would attract additional EU investment. This is a classic free rider problem, where other departments hoped to benefit from the project without actually contributing to its funding.

## Why now

Of course, these problems are not new, but there are a number of specific factors that justify re-examining the problem today:

- First is the nature of the policy priorities of both major parties. The government's 2007 PSA targets are all formally cross-cutting, covering such issues as climate change, obesity, child poverty and equal opportunities. Tackling pressing economic concerns such as entrenched worklessness also necessitates cross-departmental collaboration. The Conservatives, meanwhile, have emphasised the importance of 'broken society' issues such as drug addiction, family and neighbourhood breakdown. These are all so-called 'wicked' problems, "whose causes are so complex, and whose solutions are so multi-factorial, that they require a multi-agency response".<sup>137</sup>
- Second is the looming fiscal crunch. On the one hand, better coordination can deliver efficiency savings by eliminating waste. But there is a danger that when budgets are tight, departments will face incentives to retrench to what they see as their core business at the expense of collaborative activities that may ultimately deliver greater benefit in the future or for other parts of the public sector (Figure 22).<sup>138</sup> Some interviewees, for instance, expressed concern that the Department of Health might seek to shore up core funding

<sup>135</sup> NAO (2009b), *Dealing with the Tax Obligations of Older People*, p.5

<sup>136</sup> Mulgan (2005), 'Joined-up government', p.177

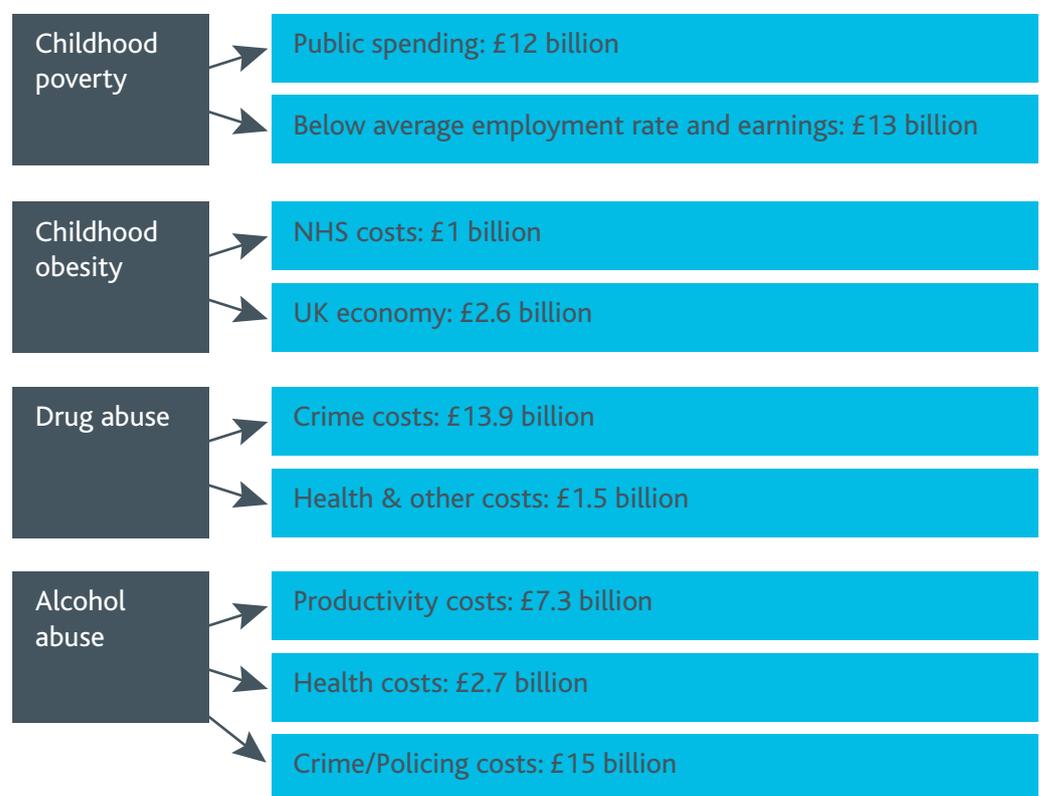
<sup>137</sup> Ling (2002), 'Delivering joined-up government in the UK', p.622

<sup>138</sup> A similar point is made in Peters (1998), *Managing Horizontal Government*, pp.39–40

for healthcare providers at the expense of preventative activities such as anti-obesity campaigns or spillover activities such as drug treatment.

- Third, all parties have become committed to greater devolution and enhancing local autonomy, but in the context of our current institutions such devolution may risk even greater fragmentation. Local institutions reflect the deep silos of a generation of Whitehall divisions, and simply 'letting go' may leave this local fragmentation in place if no additional action is taken to ensure that joining-up also occurs.
- Fourth, the wide range of recent initiatives in this area offers a rich and largely untapped seam of lessons about how to facilitate collaboration between departments.<sup>139</sup> With a general election approaching, an incoming government of either main party is likely to revamp its coordination machinery, so an evidence-based analysis of past attempts to join up should help to inform this process.
- Finally, there is strong evidence that senior officials in Whitehall themselves consider collaboration a priority area for improvement. For instance, our survey of senior responsible owners of cross-cutting PSAs shows that while a large majority believed there had been improvement in joint working over the past five years, almost half felt that Whitehall is still 'not very' or 'not at all' joined up, and a clear majority felt that there remains a long way to go (see Figure 23).

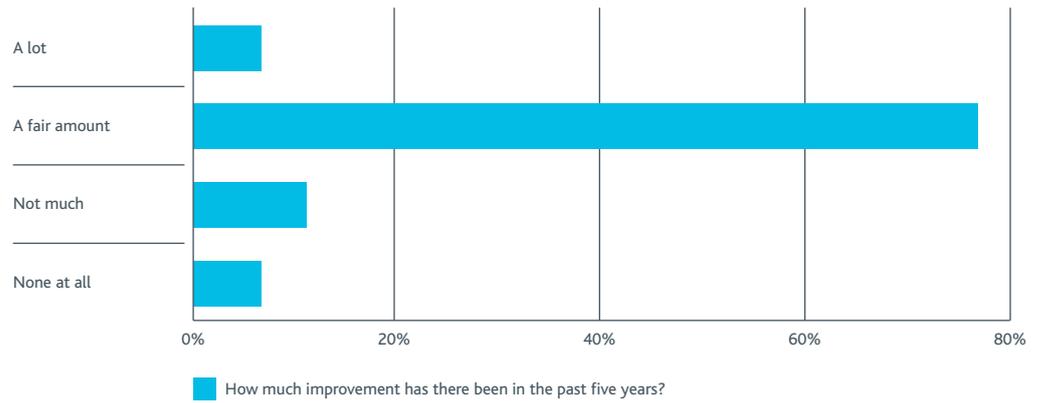
**Figure 22: Estimated annual costs of selected 'wicked issues'**



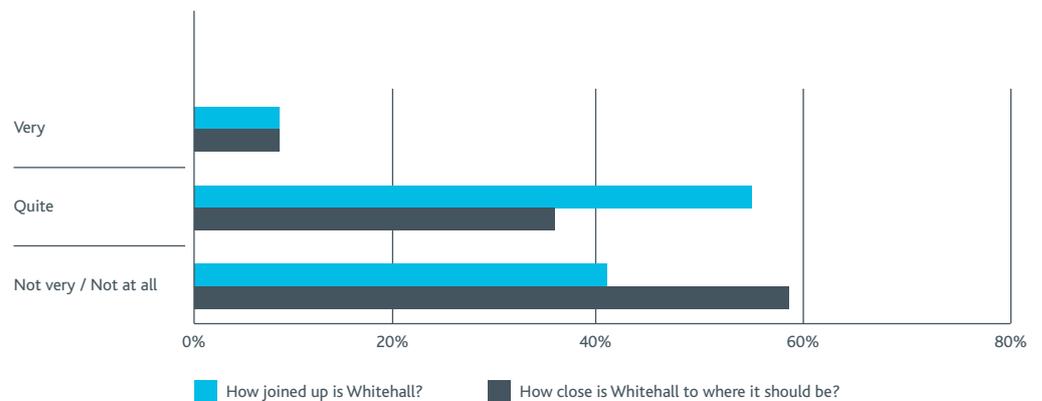
Sources: Hirsch (2008), *Estimating the Costs of Child Poverty*; Comptroller and Auditor General (2006), *Tackling Child Obesity*; Singleton et al (2004–05), *Measuring Different Aspects of Problem Drug Use*, p.41; Balakrishnan et al (2009), 'The burden of alcohol-related ill health in the United Kingdom'

139 This seam of lessons is of course not entirely untapped. Previous studies that cover some similar ground include Gash et al (2008), *Performance Art*; and Sorabji (2008), *Changing Whitehall's DNA*

Figure 23: Whitehall is getting better at joining up



... but most officials think there is a long way to go.



Source: IFG interviews with owners of cross-cutting PSAs, August–September 2009, N = 17

## Machinery of government change: a blind alley?

Machinery of government change is a powerful but blunt instrument that Prime Ministers can use to improve joining up. One approach is to bring together closely connected policy domains in order to manage the tradeoffs between them. This is the stated logic behind most machinery of government changes, including the recent creation of the Department for Energy and Climate Change (DECC), and the 1997 establishment of DETR, a super-department uniting environment, transport and planning policy. Similarly, departments can be formed to join up policy and services around a particular citizen or stakeholder group. The Department for Children, Schools and Families (DCSF), for instance, was created in 2007 to develop a cross-Whitehall Children's Strategy, while the Government Equalities Office was formed to join up policy around the equalities agenda.

Major machinery of government changes of this type may bring advantages in the form of more coherent policy-making and economies of scale. The creation of DECC was seen by many as a sensible step given the crucial role of energy policy in enabling the government to meet its high-profile climate change objectives, and the difficulties faced by Defra (as the previous lead department) in driving coordination across Whitehall.

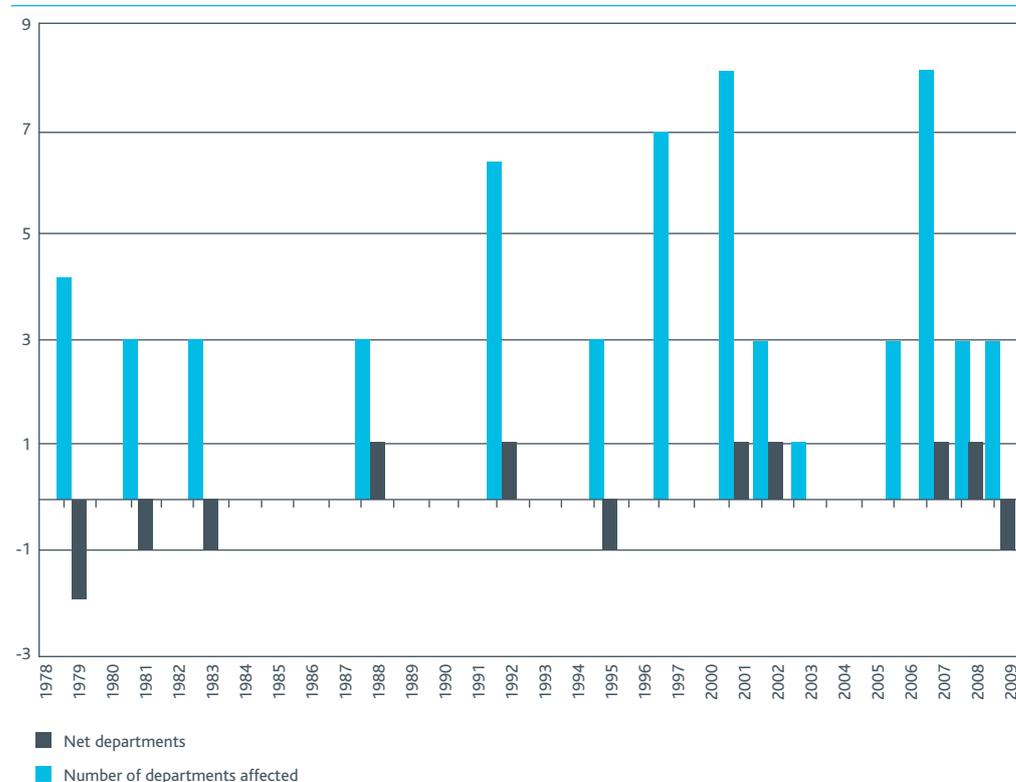
As one interviewee put it: "Defra could not by itself [push the climate change agenda forward] because it either did not have the capability or it did not

have the consensus.” DCSF, too, at least according to senior officials within the department, has been effective at promoting a more coherent child-centred approach across a range of policy areas, particularly through its leadership of the Every Child Matters strategy.

However, the creation of new departments and the division of old ones is always disruptive in the short term. For example, when the Department for Innovation, Universities and Skills (DIUS) was created in 2007, it was estimated by one insider that it took at least 6 months for the department to start operating to full capacity, and that the initial start-up costs of the department totalled at least £15m (not including the costs of disruption to delivery and policy development).

As a mechanism for enhancing collaboration, then, the creation or disbanding of new departments is not a decision that should be taken lightly. The kind of regular changes introduced since 1997 (Figure 24) can lead to internal and external confusion and hamper attempts to create a sense of identity.

**Figure 24: Increasing frequency of government reorganisations since 1997**



Source: With thanks to Anne White for this chart, which was created as part of an ongoing IfG project on machinery of government changes

Moreover, machinery of government changes do not erase the boundaries between departments – they merely shift them.<sup>140</sup> As a previous analysis of this issue argued:

*Just as the functional separation of state agencies is a necessary part of managing complexity and is a characteristic feature of the modern state [...], so too is the development of strategies to deal with the problems this creates.*<sup>141</sup>

Thus, in 2007, for instance, a round of changes that was designed to give greater coherence to business policy through the creation of BIS resulted in the fragmentation of responsibility for further education and apprenticeships.

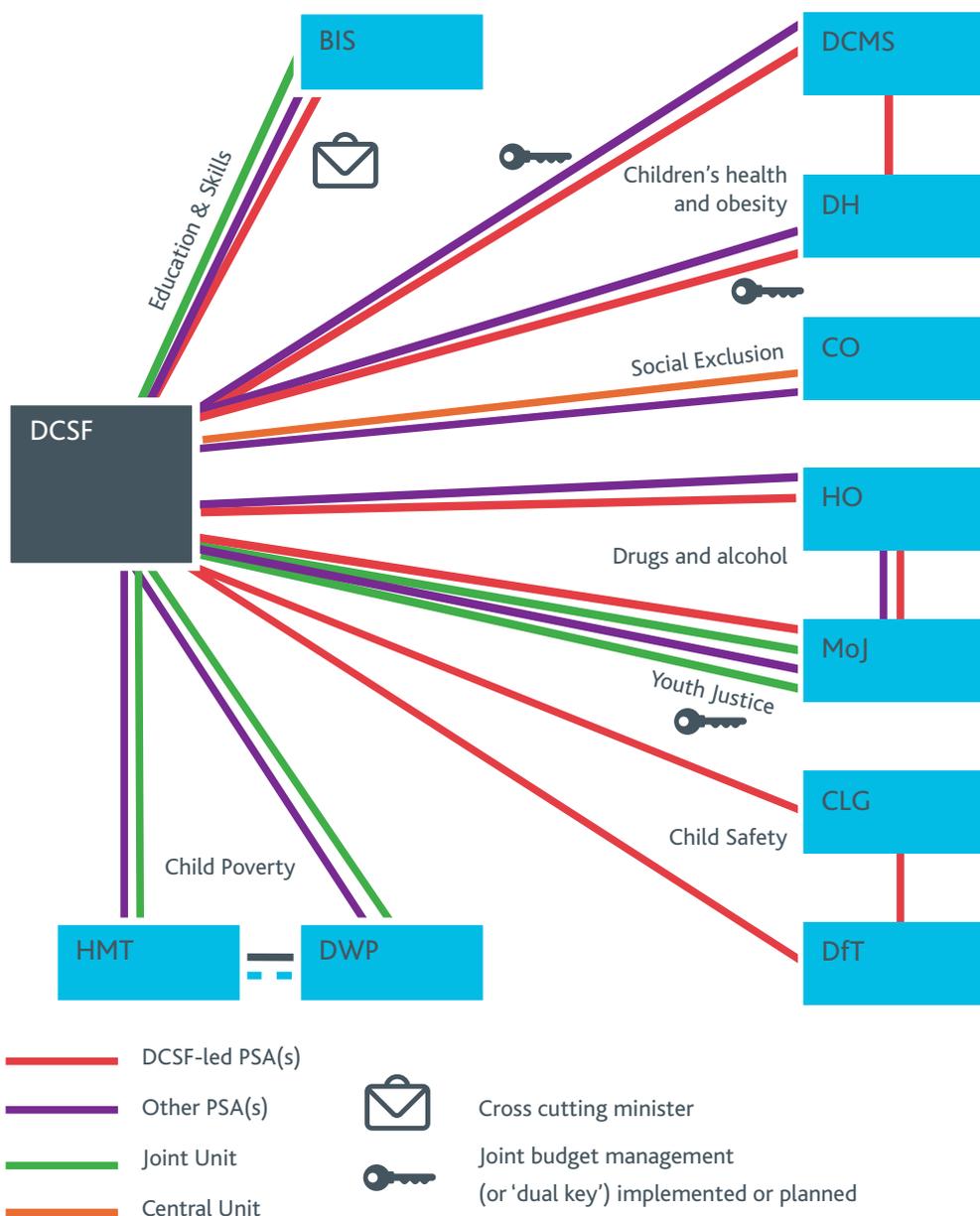
<sup>140</sup> In Scotland, reforms to the civil service in 2007 have been described as marking the 'abolition of departments'. They have been replaced by a network of smaller policy directorates which collaborate flexibly on particular issues (see page 9. Future IfG work will consider whether elements of this more radical approach could be transplanted to the far larger and more complex environment of Whitehall.

<sup>141</sup> Ling (2002), 'Delivering joined-up government in the UK', p.617

Similarly, the creation of DECC may have united climate change and energy policy but created a new requirement to cooperate across departmental boundaries to ensure that land-use planning and agriculture policy – which were left behind in Defra – take into account the climate impact.

Indeed, for challenges as complex as climate change, it is not feasible for all relevant policy areas (which would include transport, housing and aspects of foreign policy) to be brought under one departmental roof. DCSF has coped with this problem by becoming a 'networked department', working closely with others to deliver progress on the children's agenda (Figure 25).

**Figure 25: Department for Children, Schools and Families: a 'networked' department**



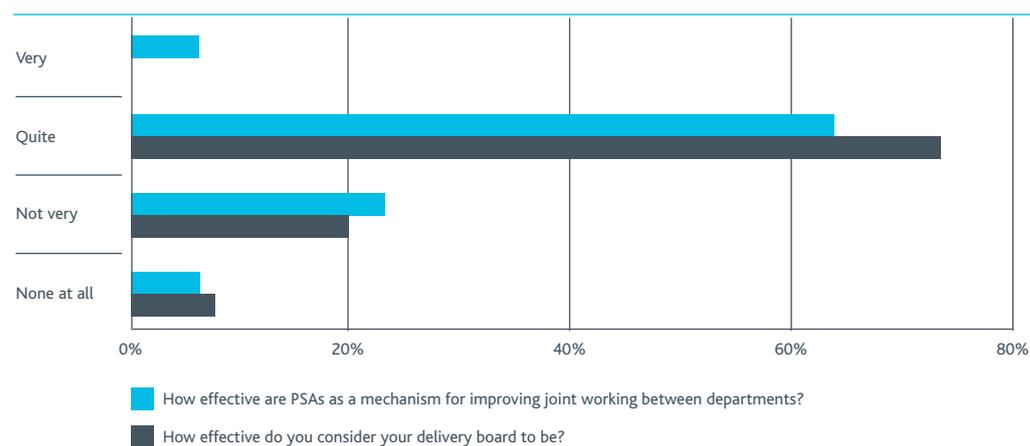
Source: IFG research  
Note: Selected policy areas and linkages only



Our interviews paint a mixed picture of the effectiveness of the new PSA structure. The simple fact of setting collectively owned targets with joint boards sitting above them was seen as helpful by most officials (see Figure 27). Interviewees told us that the boards create “a pretty strong mechanism for aligning different departments, making sure there is an escalation mechanism if there are problems or if I, as an SRO [senior responsible owner], am not getting what I need from another department”.

The boards also create social networks that facilitate joint working. As one SRO told us: “What it does do is give you the contacts, so when there is a big issue you can phone up the other DGs.”

**Figure 27: Effectiveness of PSAs and delivery boards according to SROs**



Source: IfG interviews with owners of cross-cutting PSAs, August–September 2009, N = 17

## The accountability gap

While there was a general sense that the PSA system had improved the way Whitehall works across boundaries, a number of factors have limited its impact in quite significant ways. First of all, the complex and multi-causal nature of many of the problems being addressed means that departments need a rigorous shared evidence base to inform collective discussions about priorities for action. As several of our interviews showed, this was often lacking:

*When you are setting up PSAs [you have to think] about data sources and continuity and the robustness of that data. Clearly in many PSAs that had not been done rigorously.*

Many SROs have interpreted their role as persuading departments to collate and present evidence about the contribution they were making to the shared goal. Ideally, this would enable the SRO to influence other departments’ activities and to facilitate debate across departmental boundaries about how to develop a more coherent approach to the problem at hand. But SRO influence is undermined by the lack of hard accountability mechanisms in the system. As noted in Chapter 1 (see Figure 5), international evidence suggests that the UK imposes relatively weak sanctions on departments for failing to hit targets.

For instance, linking bonuses or pay to PSA performance was reportedly considered but ultimately rejected due to the severe difficulties in attributing success or failure to the actions of individual officials, or even to government as a whole. Many of the SROs themselves nonetheless report feeling a strong degree of responsibility, but this is not universal. One told us that:

*I feel bits of accountability, so it's not very good if you are going to continually get amber red or red ratings [from PMDU], but actually nothing ever really happens.*

And below the top level, these accountability problems become worse, particularly in that officials in contributing (i.e. non-lead) departments did not necessarily feel a strong stake in shared targets, which can make it difficult for the SRO to influence behaviour. One SRO was matter-of-fact about this:

*There are a set of issues to do with day-to-day pressures on people. Their prime line of accountability is to their own ministers and that obviously defines their priorities.*

## The finance gap

The weak accountability framework for cross-cutting issues is linked closely to the lack of connection between budgets and cross-cutting objectives. As the National Audit Office noted in 2005:

*Shared targets have a limited impact on working arrangements unless supported by structural innovations that allow joint budgeting arrangements.<sup>143</sup>*

Departments are now required to show how their budget maps onto their strategic objectives – for instance DCSF has to show how much it is notionally spending on reducing educational inequality – but this is a post-hoc exercise, and there is little attempt to map budgets to shared PSA targets. Hence the critique of the House of Commons Treasury Committee that:

*Given that a number of departments have agreed Comprehensive Spending Review spending plans without apparently agreeing Public Service Agreement targets at the same time, it is unclear what part Public Service Agreement targets play in spending settlements.<sup>144</sup>*

This problem is particularly serious for targets that departments contribute to but do not lead. Thus, for instance, the Department for Work and Pensions leads on PSA 17, which seeks to “tackle poverty and promote greater independence and wellbeing in later life”. It has a similarly worded DSO to which it has allocated some £84m.<sup>145</sup> However, the other key contributing departments (DH and CLG), have no specific objective relating to older people, and therefore no budget aligned to this. This is the pattern across most of the PSA set, with a few exceptions (such as CLG’s allocation of £467m to its strategic objective to “make communities safer by providing the framework for fire rescue and other agencies to prevent and respond to emergencies”, which is in effect aligned with the Home Office-led safer communities PSA). One particularly strident interviewee argued that:

*If you split money and governance like that you almost neuter the project before it starts, it proves very difficult to do and you are almost doing it on good will.*

Such factors act to weaken incentives for cross-departmental collaboration not just for officials but also for ministers. A regular refrain heard in interviews was that, when ministers give a clear indication that collaboration is a priority, civil servants follow suit:

143 NAO (2005), *Joint Targets*

144 House of Commons Treasury Committee (2007), *2007 Comprehensive Spending Review*, p.55

145 DWP (2009), *Resource Accounts 2008–09*

*If the ministerial steer is to come to an accommodation then you will make much more effort to do it. So to me that is what lies at the heart of all of this.*

However, the signal that officials frequently receive from ministers is that PSAs do not truly represent the top priorities for government, and in particular that PSAs led by other departments are lower priorities. Civil servants often do not believe that they will get the backing they need; or that results will follow from their efforts; or their careers advanced, by too much of a focus on collaborative activity. As discussed below, this is something the current cabinet secretary has sought to address in recent years.

## Clearing the blockages: the role of the centre

A central theme of this report (see Chapter 1) is that the centre does not do enough to provide strategic leadership to government as a whole. This claim is supported by findings from the Treasury and Cabinet Office 2008 stakeholder survey. As one stakeholder commented:

*I would genuinely like to feel that the centre had a sense of the overall agenda and that the progression of that overall agenda mattered to them as much as it mattered to the individual delivery of the departments.<sup>146</sup>*

In the specific context of the PSA framework, the key part of the centre is the PMDU, which plays an important role in helping to overcome the barriers described above, though with mixed success.

PMDU was seen by several interviewees as playing a positive role in focusing the minds of different departments on shared challenges. It achieved this partly through the monitoring and challenge function it plays, and partly through lending additional expertise in analysing data around particular problems to assist in discussions about prioritisation between the departments involved. Quotes from two interviews illustrate this:

*PMDU has been pretty effective at highlighting common issues bearing on the delivery of the PSA and highlighting good practice.*

*They are very good at working with us to spot the problem areas and they are very good at putting their resources in and doing the deep dives when that is what we want to do.*

But more critical voices argued that PMDU did not do as much to solve deeper underlying problems, particularly the lack of accountability highlighted above. As one SRO put it:

*I don't think the process that the PMDU has devised means that I feel directly accountable to anybody.*

Some of our interviewees also suggested that PMDU had not done enough to tailor its processes to the very different types of challenge to be found across the PSA set. The centre's monitoring and reporting requirements were often said to suit output-focused targets – such as exam results and waiting lists, but not more complex and long-term outcome objectives:

*I sometimes wonder whether their approach is sufficiently subtle for quite tricky policy areas.*

<sup>146</sup> Ipsos Mori (2008), *HM Treasury and Cabinet Office Stakeholder Survey*, p.26

*All the PSAs are assessed for VFM [value for money] and they have got a template of evidence that is required for VFM. It fit beautifully for a health model: outputs and costs. It does not work for an influencing [PSA].*

But the influence of PMDU is also closely connected to the interest in the PSA system taken by the central political leadership of government – especially the PM and chancellor. A tighter fiscal context and shorter-term electoral concerns have made it much tougher to focus on long-term goals:

*If you went to the Prime Minister today and said ‘tell me the 30 most important things facing the UK in government today’ they [the PSAs] would not be the 30 things on that list.*

While it is natural for the government to respond to events, one could argue that the PSAs were too easily knocked off the top of the agenda. This reflects the general difficulty in embedding long-term strategic priorities in the Whitehall system deeply enough that they are not forgotten about as shorter-term political challenges emerge.

## The Collaborative Toolkit: Other interventions at government's disposal

PSAs are only one of several tools that have been used over the past decade to try to overcome the challenges posed by Whitehall departmentalism. In this section, we examine a range of other mechanisms, including programme ministers, cross-cutting policy units, pooled budgets and new ways of structuring incentives, to assess their effectiveness as tools for joining up.

An alternative approach – which government should explore further – is to jump over Whitehall altogether through radical devolution of powers and budgets to other levels of government, or even direct to citizens or households. We briefly consider these more radical options at the end of the chapter, but for now focus mainly on approaches that might increase collaboration within Whitehall itself.

### Cross-cutting policy units

Policy units usually work to join up particular initiatives that might otherwise fall between the gaps. This can be a powerful way to focus effort on a particular policy area, but in practice these units face serious challenges in establishing their legitimacy across different departments. Units of this kind have increased in number in recent years (see Appendix 3.3).

There are three broad models for this kind of unit:

- **Central units** – create freestanding units at the centre of government. These units do not have to rely on consensus between departments and can raise outcomes beyond the lowest common denominator. A well-known example, created after the 1997 election, was the Social Exclusion Unit (now reconstituted as the Social Exclusion Task Force). Central units of this kind appear to be effective so long as they have top-level sponsorship, but are weakened by their limited array of levers with which to influence activity elsewhere in government. As one interviewee put it: “The SEU had the Prime Minister’s clout... but I think you can tell that it does not last. I think if you want something to last you build it into the mix.”<sup>147</sup>

<sup>147</sup> The SEU was later moved to the Office of the Deputy Prime Minister and was gradually seen by many to produce worthy reports but to lack the influence to implement them. Subsequently, when Blair returned to focus on the issue post-2005, the SEU was broken up, and a new Social Exclusion Task Force was created in the Cabinet Office, with high-profile Prime ministerial backing and a dedicated Cabinet Office minister.

- **Independent units** – the Office of Climate Change (OCC), established in 2006, borrowed aspects of the central unit model such as its recruitment of secondees from across Whitehall and a consultancy style project approach to policy development. It was funded by seven departments but sat independently of the departmental system (though it was physically located in Defra), so that it was not seen as a creature of the centre or of any particular department. Despite its high profile, the OCC also encountered difficulties as a result of its limited direct levers over the rest of government. The OCC was incorporated into DECC in 2008, though still formally works on a cross-cutting basis.
- **Cross-departmental units** – these units are typically at the interface of two or three departments with a shared or overlapping interest, with the objective of improving the coherence of government policy in the area in question. In some cases, such as child poverty and obesity, the departments involved are pulling in the same direction, due to the clarity of the political goal. As a result, the role of the unit becomes largely about gathering evidence and formulating policy or legislation. For other units, such as youth justice, there is a more obvious tension between the departments involved – in this case between the more ‘punitive’ and ‘welfarist’ approaches to young people. The unit’s function here is to manage tensions and trade-offs, with the two departments effectively holding a veto over any new policy developments. Some units, like the Office for Disability Issues, also interpret their role as to foster networks to ensure people working on a similar agenda across different departments “feel part of the bigger team, rather than battling away in a tiny corner on their own”.<sup>148</sup>

Specialist central units have largely fallen out of favour, with the exception of higher-level strategic bodies such as PMDU and the Strategy Unit. Central policy units face the critique that they are too far removed from day-to-day departmental policy-making; find it hard to extract money or hard commitments out of their big sister departments; complicate the responsibilities of central departments; and soon lose impetus once the focus of the PM moves elsewhere.

Both types of cross-departmental units face a common set of problems. First of all, there is a question of identity. Creating an entirely new body presents a vital opportunity to mould a new institution that transcends the different departmental cultures, and is jointly owned by all the departments involved. These shared units have to avoid becoming captured by one or other department, as this will undermine their credibility when dealing with ministers and officials elsewhere. Perceptions are as important as reality, so there may even be cases where a joint unit is seen by *each* department as too dominated by the other, to the detriment of its effectiveness.

To avoid such problems the units themselves must work hard to create a unified corporate identity separate from, but also closely associated with, the departments involved. This might involve ensuring that both departments and their ministerial teams are treated equally, and that potentially competing departmental perspectives are given equal weight. Thus one official told us:

148 Stibbard [ODI Deputy Director] (2009), ‘ODI: disability is a cheap win’

*We have a policy of putting up completely transparent joint advice to all our ministers at the same time unless we can possibly help it; it forces us as civil servants to try and thrash out some of those differences and issues.*

Internally, meanwhile, the barrier may be the mindset of officials who see themselves as on loan from 'their' department rather than members of a separate joint entity. This can hamper the development of the so-called 'culture of jointness'. More than one of the joint units we spoke to had taken deliberate steps to overcome this, for instance by making staff from the two parent departments work together on cross-cutting projects.

Another regular complaint is that collaboration is made more difficult by the different systems that joint units have to work across. For instance, having staff on different pay scales, performance systems and so on makes management and financial planning 'a real pain'. Some units have also been prevented from creating separate email and web identities, forcing staff to associate themselves with one department or another.

It is striking that, in practice, the most successful of the cross-cutting units of the last decade, notably PMSU and, to some extent, PMDU have evolved to take on a blend of characteristics of traditional central and cross-departmental units. They retain strong links to the PM, but also deliberately take some commissions from departments, with departments often using them to get greater leverage over the rest of Whitehall. Those units that have been seen as relying too heavily on Prime ministerial patronage alone have generally not lasted long.<sup>149</sup>

## Cross-departmental ministers

As we have already seen, ministers often fail to engage fully with cross-cutting issues. One way to get round this problem is to give ministers responsibilities in more than one department. The government has already experimented with this approach (see Appendix 3.4), but there is room to go further in linking ministerial authority to pooled budgets, as we shall see.

In some cases, bi-departmental ministers effectively hold two separate part-time jobs rather than a single cross-cutting portfolio. But in several areas, there are genuine 'ministers *sans frontieres*' with complementary or overlapping portfolios from two departments, with an expectation that they will coordinate policy and manage trade-offs across the boundaries.

For instance, the Minister for Trade sits across the business and foreign office portfolios, and the Minister for Science and Innovation in BIS is responsible for the large R&D budget in the MoD on the grounds that "with the right steering, the two roles have great potential to complement one another and boost science in the UK".<sup>150</sup>

One interviewee judged the creation of such a minister in her area as a success in comparison to the previous situation where she had to report separately to two ministers:

*Having [the single minister] there I think has made a real difference because it has brought a certain kind of jointness to the ministerial teams as well and he does have that remit to look across the programme.*

<sup>149</sup> The Office of Public Service Reform, for example.  
<sup>150</sup> Rees [President of the Royal Society] (2009), cited in 'Defence job for science minister'

Where two departments tend towards different interpretations of a policy area (as for the economic and educational emphases placed on apprenticeships policy by BIS and DCSF, respectively), having a joint minister offers a route to dismantling or at least managing these cultural barriers. In some cases, cross-cutting ministers are appointed to represent the interests of a particular citizen group, such as the children's and disability ministers, who are based in a single department (DCSF and DWP, respectively), but have responsibility for leading a government-wide strategy for the citizen group in question (see Appendix 3.5). Regional ministers were also appointed in 2007 to represent the interests of particular parts of England.

A problem cross-cutting ministers can face, especially if they are relatively junior, is that they may have insufficient authority in one or more of the departments they need to influence. This can be mitigated by the creation of a shared delivery agency, which the minister oversees, while reporting upwards to the two parent departments. For example, the Minister for Trade, Investment and Small Business is supported by UK Trade and Investment, which is effectively a service delivery agency representing UK commerce in foreign markets as a joint venture between BIS and FCO. Alternatively, a cross-cutting minister can be supported in policy formulation by a unit of the kind discussed above (as is the case for the apprenticeships minister for instance). The combination of these two mechanisms does appear, in certain areas at least, to offer a low-cost model for achieving some of the objectives of large-scale machinery of government changes. Thus the head of one joint unit who currently works to several different ministers stated that:

*If you could get that working as a model where you have ministers who genuinely sit across all of the departments it would certainly make life easier because it essentially pushes a lot of the coordination and negotiation role up onto that minister rather than me having to do it as the head of the unit.*

Some countries have gone further than the UK in trying to address this problem. In Ireland, ministers for particular citizen groups are supported by dedicated offices, and have responsibilities in several relevant departments (see Appendix 3.6). And the Netherlands has experimented with the creation of a programme ministry for Youth and Families (see Appendix 3.7). The ministry is led by one of the country's two deputy Prime Ministers and has a dedicated budget of 6.2bn in 2009. But instead of having a large, dedicated staff, it uses its political and financial clout to coordinate the work of four other departments. One senior official working in the ministry told us that while the experiment is not a magic bullet, it does "help loosen up accepted and decades-old boundaries between ministries and the accompanying 'silo mentality'".

But the limitations of this model were emphasised by one UK official working to two separate ministers, who pointed out that where government is seeking to increase the coherence between delivery systems in two departments:

*The important thing that both the ministers bring is that accountability for both of those systems, so actually, you need them to have power over both of those systems. So a separate [cross-cutting] minister wouldn't help, they'd be too marginalised.*

Of course, if that Minister also held the purse strings, the view might be different.

## Budgetary innovations

Budget allocation processes in Whitehall have long been recognised as a brake on collaborative activity, due to the high degree of spending autonomy granted to individual departments.<sup>151</sup> The 2008 Treasury and Cabinet Office stakeholder survey identified reform of funding mechanisms as a priority, in order “to encourage departments to prioritise cross-cutting PSAs”.<sup>152</sup>

There have been a number of experiments with sharing resources over the past decade that have sought to encourage joint working and create incentives to spend on activities that might otherwise be underfunded. The cabinet secretary has recently indicated an interest in developing further such models, arguing:

*Cross-cutting budgets would not be a magic solution – but as public expectations continue to rise while finances are getting tighter – they could be an important tool to help make sure resources are in the right place at the right time.*<sup>153</sup>

But formal pooling across departments is currently rare and difficult to manage, in part because of Treasury scepticism. As one official put it:

*If you have big pools and you are not clear who is fundamentally responsible, assuming that you were in a situation where there was fiscal tightening across the piece, that is introducing quite a lot of extra risk.*

In practice, many of the experiments with pooled budgets do offer ways round this accountability dilemma. One approach is to hold pots of ringfenced money at the centre, with a central unit, named accounting officer and minister directly accountable for use of the money. For instance, in the early days of the Blair government a pool of £179m was set aside for the Rough Sleepers Initiative over three years.<sup>154</sup>

The logic of this model is that it can bypass Whitehall departments, overcoming the barriers between them by directly commissioning local initiatives. However, this kind of central budget approach may still run into barriers at the local level, between partners who may report upwards to different departments that have little stake in the scheme. This approach may also lose out on the expertise that departments bring to bear on their policy areas, and from not mainstreaming the results of innovative projects.

Alternatively, funds can be pooled across the departmental interface. One example is the Pooled Treatment Budget (see Appendix 3.2), which combines money from the DH and MoJ for drugs funding, while an additional Home Office budget line is aligned to this objective. In this case, a separate National Treatment Agency oversees the budgets and is held to account accordingly, although most of the money formally remains within the Department of Health. The objective is to overcome the fact that the benefits of drug treatment are felt principally in lower crime and therefore accrue to the Home Office and MoJ, rather than DH itself. Other examples of cross-departmental pools include the Conflict Prevention Pool between DfID, MoD and the FCO (see Appendix 3.8), and the ‘triple key budgets’ in criminal justice overseen by the Office for Criminal Justice Reform.<sup>155</sup> In some cases a budget may be fully owned by one

151 Performance and Innovation Unit (2000), *Wiring it Up*, p.47

152 Ipsos Mori (2008), *HM Treasury and Cabinet Office Stakeholder Survey*, p.19

153 Drillsma-Milgrom (2009), ‘O’Donnell backs cross-cutting budgets’

154 Vranken (2004), *A Description and Analysis of the ‘Rough Sleeping’ strategy in England on Street Homelessness*, p.10

155 This latter example is discussed in Gash et al (2008), *Performance Art*, p.72

department, but with other departments given veto power (via 'dual keys') as for DECC's right to ensure that the BIS-led Strategic Investment Budget prioritises climate-friendly projects.

A weaker model is for different departments to align budgets in a transparent fashion to shared objectives, setting out how each department's spending will contribute to an overall goal, but without any joint mechanisms to manage the resources. In a sense, this is the traditional approach, with 'horse-trading' between departments of the sort that typically precedes many white papers. In any case, as noted, progress towards alignment of budgets to joint PSAs has been limited. For some joint policy areas – such as apprenticeships policy – a unit and its director may have 'oversight' of the separate budget lines flowing from the contributing departments down to the delivery agents, though without direct control or joint sign-off power. This type of model avoids serious accountability dilemmas, as monies remain within departmental pots, but facilitates more meaningful cross-departmental debate about joint objectives.

## Changing individual incentives and behaviour

Of course, "mere structural manipulations cannot produce changes in behaviour, especially if the existing behaviour is reinforced by other factors in government",<sup>156</sup> and in particular, where incentive structures encourage a focus on narrow departmental concerns.

One way in which the government is trying to shift the terrain in this context is through reforms to the capability review process, following a 2009 call from the National Audit Office that it should place more emphasis on collaboration and working across complex delivery chains.<sup>157</sup> Partly as a result, from 2010 capability reviews will assess the extent to which departments "collaborate and build common purpose" in the development of strategy.<sup>158</sup> Collaboration might also be encouraged if peer reviews from key partner departments and stakeholder groups were used more extensively in departmental assessments. And as noted in Chapter 2, board assessments could also be used to create incentives to collaborate.

Parliamentary scrutiny processes also do not create strong incentives for departments to focus on collaborative activity. The select committee system is designed to mirror the departmental structure of government, meaning that each focuses its attention on the activities of 'their' departments, while joint enquiries and hearings between committees are rare. If parliamentary committees conducted enquiries to hold government to account for performance on its cross-cutting objectives, this could create a greater incentive for collaboration.

At the level of individual incentives, the cabinet secretary has identified the need for the Top 200 group of permanent secretaries and directors general to prioritise cross-government working:

*At the very first Top 200 meeting back in October 2006 – I set the members my '100:0:0' challenge. This was my way of asking them how much of their time was spent on their narrow policy areas, their departmental objectives and civil-service wide, corporate issues. For too many of them, the answer was 100:0:0.<sup>159</sup>*

<sup>156</sup> Peters (1998), *Managing Horizontal Government*, p.47

<sup>157</sup> NAO (2009a), *Assessment of the Capability Review Programme*

<sup>158</sup> Cabinet Office (2009a), *Capability Reviews*

<sup>159</sup> Speech by Sir Gus O'Donnell. O'Donnell (2009), 'The 21st century Civil Service'

His views are reflected in recent changes to the appraisal framework for the senior civil service. In addition to being assessed on the delivery of business objectives, senior civil servants are assessed on the basis of their contributions to corporate objectives, and permanent secretaries are expected to allocate their time on the basis of a 60:20:20 split.<sup>160</sup> The cabinet secretary claims that there has been significant improvement since his 'challenge' was first set. Via regular appraisal meetings the cabinet secretary is able to exercise influence over permanent secretaries, but the extent to which this influence cascades down into departments could be further strengthened if greater weight was placed on collaborative work in individual appraisals, including by more systematically incorporating 360-degree feedback from contacts in other departments.

Individual behaviour can also be shifted by softer means, such as networks. For instance, the Top 200 network itself and the High Potential Scheme beneath it represent attempts to foster the development of a cross-Whitehall corporate identity to further the interests of government as a whole.

Another burgeoning form of cross-departmental network is the professional group, of which there are now 23 recognised in Whitehall. These include cross-departmental groups around economists, chief scientists, social researchers and so on, and represent a growing phenomenon. For instance, the policy profession has recently been allocated the support of a small administrative unit that is seeking to develop a common set of standards for policy-makers across Whitehall, along with exploring the possibility of a more formalised career path and qualifications. Such developments represent small steps towards weakening the importance of departments as the principal framework for career development, and may therefore help to shift incentives towards cross-cutting approaches.

## Joining up outside Whitehall

We have concentrated on assessing mechanisms for enhancing collaboration within central government itself. The alternative is to ignore or bypass fragmentation in Whitehall and to concentrate on joining up government closer to public service users.

For instance, government could go much further in devolving power, forcing local actors to deal with boundary issues closer to citizens and communities. This is the logic behind Local Strategic Partnerships and the revised Local Area Agreement framework.<sup>161</sup> Regional-tier institutions such as government offices and regional development agencies also see a major part of their role as joining up central government silos. Alternative paths to joining up in localities may also emerge from the Total Place initiative, which seeks to support innovation and efficiency through a 'whole area' approach to tracking public expenditure.<sup>162</sup>

An alternative is to push the collaboration challenge out of government altogether, for instance by pursuing clear outcome tariffs for services such as education or welfare, and encouraging innovative providers to assemble these individual tariffs around clients or problems. Individuals themselves could be empowered through further moves towards personal budgets, where citizens or households buy what they want and join up services in a way that reflects their needs.

<sup>160</sup> Cabinet Office (2009b) *Managing Performance in the Senior Civil Service*, p.17

<sup>161</sup> See Gash et al (2008), *Performance Art*

<sup>162</sup> Total Place (2009), 'Total Place: Better for less'

Such approaches all hold potential for improving the 'joined-up-ness' of public services. We cannot do them justice here, but they are likely to be the subject of further work by the Institute. In any case, the efficacy of many of these mechanisms is likely to be seriously limited so long as departmentalism at the centre remains a problem. More effective local coordination does not remove the need for joining up within Whitehall.

## Conclusions

Given the long history of attempts to do something about these problems it would be unwise for any government to make grand claims that it will finally be able to move towards a new seamless and holistic Whitehall. And as noted, it may also be the case that many of the most powerful forces for joining up policy actually lie outside Whitehall. Nonetheless, the range and the scale of the problems caused by failures to join up at the centre mean that it would be remiss for government not to make further effort to overcome barriers in Whitehall.

Government has a diverse toolkit that it can dip into in search of improving collaboration. In this chapter, we have sought to assess the effectiveness of a number of these approaches across a range of policy areas. While it is difficult to draw firm conclusions about what works best in general, we make a provisional assessment in Figure 28 below.<sup>163</sup>

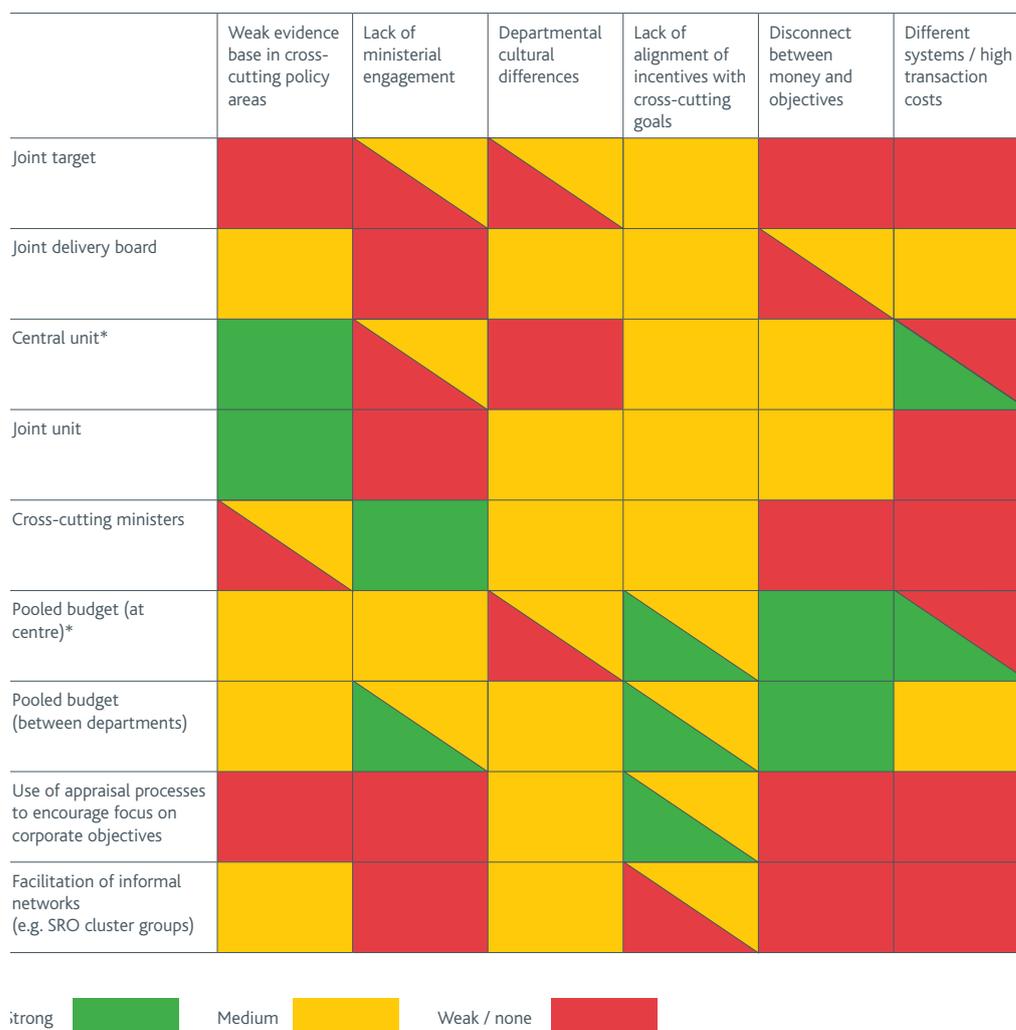
In our view, introducing a countervailing dynamic to that of departmentalism can best be achieved by creating powerful cross-cutting ministers holding budgets around key government objectives, but with small staffs to act as commissioners of other departments.

To back up these reforms, changes to accountability arrangements are also needed, to create stronger incentives to prioritise collaborative activity. Cross-cutting programmes should be formally identified as such with nominated programme managers given responsibility to manage budget lines and people across departmental lines.

And to support this further, government must take action to reduce transaction costs, by making it easier for departments to share information and other resources. In essence, we suggest a transition to what big businesses call a 'matrix' organisation – introducing a deliberate cross-cutting tension into the business of government. The overarching objective must be to facilitate new types of relationship between departments which cease to 'cramp the energies of the whole body' and instead enable Whitehall to become more than the sum of its parts.

<sup>163</sup> In this figure, we make an assessment of the effectiveness of nine different interventions at overcoming six types of barrier identified in our interviews. To determine our 'RAG Ratings', five researchers at the Institute for Government who have worked in this area independently made assessments and the results were then pooled and averaged. We recognise the methodological limitations of this approach, and offer it for discussion, rather than as any final word on the subject.

**Figure 28: Estimated impact of interventions on barriers to collaboration**



Source: IFG research

Note: A green/red rating of effectiveness signifies that the intervention in question has no impact on the inter-departmental barrier in question, but that it may be able to render the barrier a non-problem by bypassing departments altogether.

## Recommendations

The creation of a whole of government strategy, supported by departmental business plans, should lead to a clearer and stronger framework for governing Britain. However, without effective mechanisms for joining up departments, the impact of a new strategic framework may be substantially blunted.

The current PSA framework and other parts of Whitehall’s joining up machinery are likely to be amended following the 2010 election whichever party is in power. But whatever else may change, cross-cutting policy challenges will remain high priorities for government, and barriers between departments will continue to pose problems. The government will therefore need to find ways to overcome these barriers and facilitate collaboration, matching the tools they choose to the problem they face. The following reforms offer some ideas for how to accomplish this.

As well as identifying a number of cultural and procedural barriers to joining up, we identify two overarching structural problems that the next government will need to address – the lack of connection between budgets and problems, and a lack of clear and sustained ministerial leadership for joining up.<sup>164</sup>

<sup>164</sup> Similar conclusions were reached by Gash et al (2008), *Performance Art*

Our first cluster of recommendations addresses these linked challenges:

**1. Create pooled programme budgets for cross-cutting objectives.**

*Pooled budgets* could be created for top-priority issues such as climate change, alcohol harm reduction, obesity or family breakdown. These should be collectively managed by joint programme boards, and overseen by a cross-cutting minister. Such arrangements would also require departments to 'pool policy', whereby departments would jointly develop strategy to tackle cross-cutting issues as a precondition for resources being released.

- 2. Create dedicated ministers to manage pooled budgets for top priorities.** The government should appoint a small number of *strategic programme ministers* at secretary of state level to oversee these top strategic objectives. Building on the Dutch model, these 'ministers *sans frontières*' would oversee a cross-cutting programme budget, which they would use to commission work from other departments, agencies or other actors. Indeed, one could argue that DECC is an early example of this approach – a small department but with a strong minister and a (fairly) large budget.

An alternative arrangement could be the strengthening of the role of ministers for particular citizen groups, such as the elderly or mentally ill. As in Ireland, these individuals should be supported by 'co-located' staff from different parts of Whitehall, and should have a small budget to commission work from other parts of government. See Appendix 3.6 for more detail of these models.

- 3. Align budgets to outcome objectives.** At the least, where departments must collaborate to meet policy goals, there should be *clear alignment of resources* to these objectives. This would help provide a hard focus for cross-departmental dialogue, with officials able to negotiate tradeoffs more transparently. This alignment could also provide a clearer understanding of how each department contributes to government's overall strategy.

**4. Establish central commissioning budgets for corporate functions.**

*Central commissioning budgets* could be used for IT systems, R&D and some capital expenditure, e.g. by topslicing a proportion of departments' own budgets to create central pots to which departments must make joint bids to gain funding. Similarly, as recommended in the Operational Efficiency Programme, a central property function could receive joint bids to encourage departments, where appropriate, to share property.<sup>165</sup> Such proposals need to be balanced against the countervailing arguments for distributed, more specialist purchasing and room for innovation.<sup>166</sup>

Even when there is joint commitment between departments to achieving a particular objective, it can be difficult to agree upon the best course of action.

<sup>165</sup> HM Treasury (2009b), *Operational Efficiency Programme*  
<sup>166</sup> See Hallsworth et al (2009), *Installing New Drivers*

There is therefore a need to **develop shared evidence bases** to determine how government can best intervene to tackle complex problems.

**5. Set aside resources for cross-departmental research.** The central commissioning budgets mentioned above should therefore dedicate *funds for joint research and analysis* to create the basis for meaningful discussions between departments about prioritisation and tradeoffs.

In particular, departments should *collaborate to develop common metrics* to assess the respective impact of different possible interventions. This should include considerations of cost effectiveness (including monetising the spillover benefits of interventions on other departments' budgets) and the distributional aspects of different interventions. There are already examples of such analyses to build on, notably in the public health realm, where multi-criteria decision analysis is used to prioritise preventative health care interventions.<sup>167</sup>

According to many officials, **incentive structures in Whitehall still tend to reinforce departmentalism**. The government could rectify this through a number of changes:

**6. Put collaboration at the heart of performance management.** At the individual level, appraisal processes should be used to encourage collaboration, using 360-degree feedback from contacts in other departments and external stakeholders. For joint objectives, all contributing departments should nominate lead officials, who are managed partly by a dedicated programme manager from the lead department (via 'matrix management').

**7. Evaluate departments based on their contribution to government-wide objectives.** Departments as a whole must be encouraged to prioritise joint working, as the revised capability review framework intends. Future reviews should make extensive use of peer reviews from key partner departments and stakeholder groups (i.e. 360-degree appraisals for departments themselves), with permanent secretaries held to account for their department's ability to collaborate successfully.<sup>168</sup>

**8. Create formal and transparent process for assessing joint programmes.** For cross-cutting programmes and objectives, particularly where pooled budgets are attached, government should develop a formalised framework for assessing capability of the relevant parts of government to work together effectively. This could develop into a *thematic capability review process*, where, for instance, all parts of government working on adapting to or mitigating climate change would be jointly and transparently assessed. This would build on the reviews of PSA boards currently carried out by PMDU.

<sup>167</sup> See, for instance, Health England and Matrix Insight (2009), *Prioritising Investments in Preventative Health*

<sup>168</sup> A more radical alternative, one step further than a department-focused capability review could be reviews that are focused on cross-cutting delivery, with department's scores assessed by combining the results of the individual policy area reviews.

We also heard regular reports that incompatible or inconsistent HR, financial and information management systems raise the **costs of collaboration**. Building on the arguments made in Chapter 1, there is therefore a case to:

- 9. Reduce transaction costs of collaboration.** The centre should make cutting transaction costs a priority by moving towards more common standards, facilitating information sharing through shared IT space, and allowing joint policy units and similar bodies to establish their own web and email identities.

**External scrutiny and engagement** can also play a greater role in encouraging and creating incentives for cross-departmental working:

- 10. Encourage parliamentary committees to conduct cross-cutting inquiries.** Select committees should approach cross-cutting issues in a joined-up way in order to hold departments to account for performance on government-wide strategic objectives. For instance, new committees could be established for government's strategic priorities, departmental committees would be expected to link up to scrutinise overlapping policy areas, and the Public Accounts Committee could hold more joint inquiries (rather than calling to account one department at a time, as is usually the case).
- 11. Increase stakeholder engagement in policy development to highlight cases of poor joining up.** This could be done by increasing the use of stakeholder representatives on joint delivery boards, or by holding joint engagement activities. The amount of consultation could be capped to create an incentive to limit the number of overlapping consultation efforts carried out across government.

**Shifting behaviour and culture in Whitehall** towards a focus on corporate objectives requires softer interventions as well as structural and performance management reforms:

- 12. Facilitate the development of loose horizontal networks.** This would build on current practice and encourage groups with shared objectives (such as the SRO cluster groups) to share lessons and build relationships, with the centre providing support as required. The professional networks should also be assisted in formulating more common standards and joint training activities across Whitehall.
- 13. Determine and develop the necessary skills for collaboration.** Collaborative working requires specific capabilities. To identify these capabilities, government should conduct a skills audit to identify skills and capability gaps that act to limit the effectiveness of other joining-up interventions, and should develop a programme to redress these gaps.

# Conclusion

Whitehall faces tough times. A decade of rapidly growing budgets is coming to an end, probably replaced by years of cuts, efficiency gains and tough choices. The recent white paper, *Putting the Frontline First: Smarter government*,<sup>169</sup> offers a glimpse of the years to come. It proposes that the Senior Civil Service – the roughly 4,000 top civil servants in the UK – face a cut of 20%, although the question of how much of this comes from cuts in pay as opposed to a reduction in staff numbers is left open.

At the same time, *Smarter government* cut off the normal routes that Whitehall might have used to offset this pain. Spend on consultancy is proposed to fall by 50%, making it much harder to quietly shift people from a Whitehall payslip onto a consultancy contract. Similarly, with a strong push from across the political divide, sharp reductions in the number of arm's length bodies are proposed. History shows us that this is most easily done by bringing such bodies and their functions back into central government, as seen in Wales and Scotland. But, of course, this would only add to the size of Whitehall, making the aspiration to shrink Whitehall even more difficult.

Public opinion surveys offer little cheer. Though civil servants attract relatively high levels of public trust – levels that have risen over recent decades – this has not spared them coming top on public lists of where to prioritise cuts, as we saw in the introduction (see Figure 1).<sup>170</sup> The view that Whitehall is ripe for cuts seems to be shared both by external experts and, perhaps surprisingly, by many civil servants themselves.<sup>171</sup> This is rooted partly in a sense that there is too much unnecessary duplication across departments and arm's length bodies. As one senior civil servant put it: "One way of reducing spending is simply to reduce the number of people in Whitehall 'doing stuff'."

Some old hands are wary. One former permanent secretary warned a collected group of senior civil servants and politicians "not to get distracted by trying to cut Whitehall – it is a tiny fraction of the public service and you'll need them [Whitehall] to get a grip on the billions that are spent elsewhere".

## Wider challenges...

A key question for Whitehall over the coming few years will be whether it can use the fiscal consolidation to bring down costs while protecting and perhaps even improving results for the public.

Whitehall is highly capable of containing public spending. Indeed one could argue that the UK's strong central control over tax and spending – and limited parliamentary leverage over the budget – makes it almost uniquely well placed

<sup>169</sup> HM Government (2009), *Putting the Frontline First*

<sup>170</sup> Parker et al (2009), *State of the Service*

<sup>171</sup> Quotes from private seminars at IfG during late 2009

to hit any given spending targets. But these same institutional characteristics could also highlight Whitehall's weaknesses. Departments and silo-based public service providers are likely to protect their core functions and squeeze out opportunities for the collaboration and innovation necessary to tackle the really big 'wicked issues' such as climate change and inequality.

But there are some reasons to hope that the public sector could realise an 'innovation dividend' from the fiscal squeeze. Technology offers the promise of enabling the wider public sector to work in more efficient and satisfying ways for citizens. Citizens are themselves more educated, affluent and able to take on more responsibility for their own welfare, particularly when they are supported by innovative and ambitious public service institutions.

Not everyone will welcome these changes, but they undoubtedly represent an opportunity to find new ways of organising and solving the challenges we face. As Tony Wright MP, Chair of the Public Administration Select Committee put it at a recent hearing,

*it is at least conceivable that this is going to be a moment of major innovation in actually how we do government in this country, not because anybody chose to do it in that way, but because we were forced to think rather radically about it.*<sup>172</sup>

Is Whitehall is ready and able to rise to these challenges? Our answer is 'only partly'.

## Shaping up: key conclusions...

Whitehall is a solid performer in international comparison – but there is no doubt it can be further improved. Our focus has been on three key areas identified by our earlier work and by civil servants themselves.

**The strategy challenge.** We argue for a centre of government, led by the Prime Minister and Cabinet, with a more explicit overall strategic plan. We also urge the Cabinet Office and Treasury to act more decisively in relation to certain common objectives and shared services, while at the same time reducing the level of micro-management that has sometimes characterised policy and delivery in recent years.

**The governance challenge.** We urge much greater ministerial involvement at the top tables of Whitehall; a focus on performance management within departments; and greater formal training and development of boards and their members.

**The collaboration challenge.** We urge the greater use of cross-cutting budgets and secretaries of state for key issues; greater recognition of collaborative contributions in the promotion and reward of senior civil servants (and perhaps ministers); and also highlight the potential of addressing the challenge outside of Whitehall itself.

Our vision for the future of Whitehall is one that is likely to be smaller – perhaps by as much as third or more. But much more importantly, our vision is of a Whitehall with much clearer division of responsibilities between the centre and departments alongside a stronger sense of collective endeavour in implementing

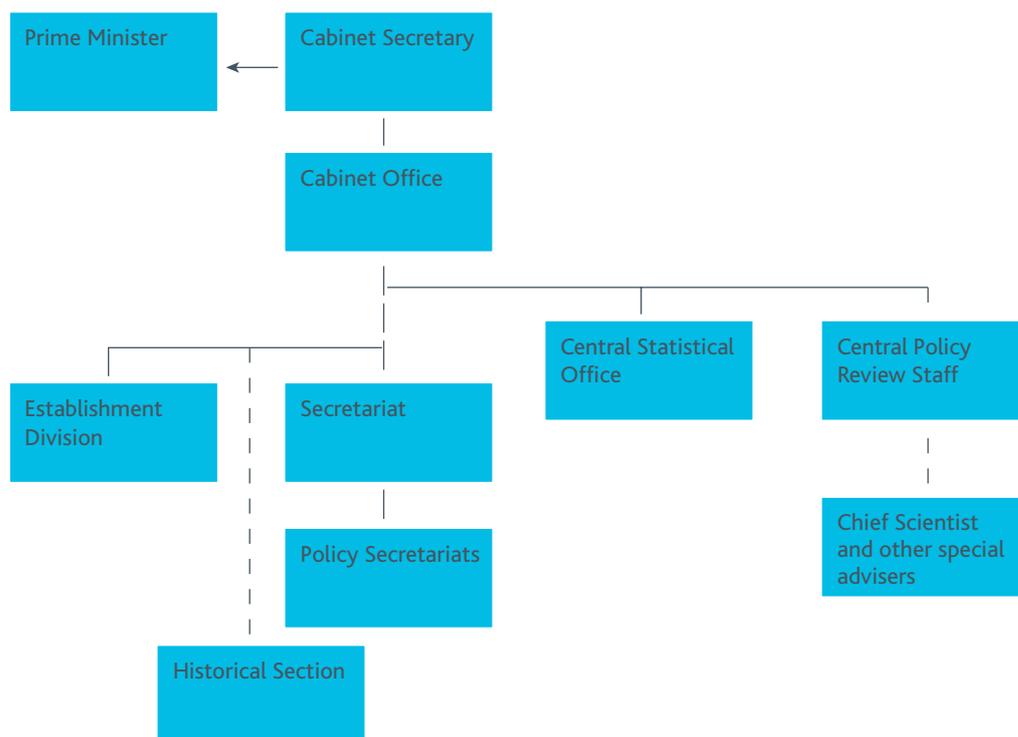
<sup>172</sup> Tony Wright, Chair Public Administration Committee Public Administration and the Fiscal Squeeze, 3 December 2009, quoted in *Undertaking a fiscal consolidation: a guide to action*, IFG (2009)

a shared strategy; a closer relationship between ministers and boards within departments; and a more collaborative approach to tackling the great policy challenges of our time.

Some degree of conflict between the great departments of state, the centre, parliament and other levels of government are an appropriate and important part of good government. But too often we think of power as a 'zero sum game', where more for one part implies less for another. Our conclusion is much more upbeat. Indeed we conclude that a more strategic, and in some sense more powerful, centre of government would thrive if departments themselves were more strategic and powerfully led.

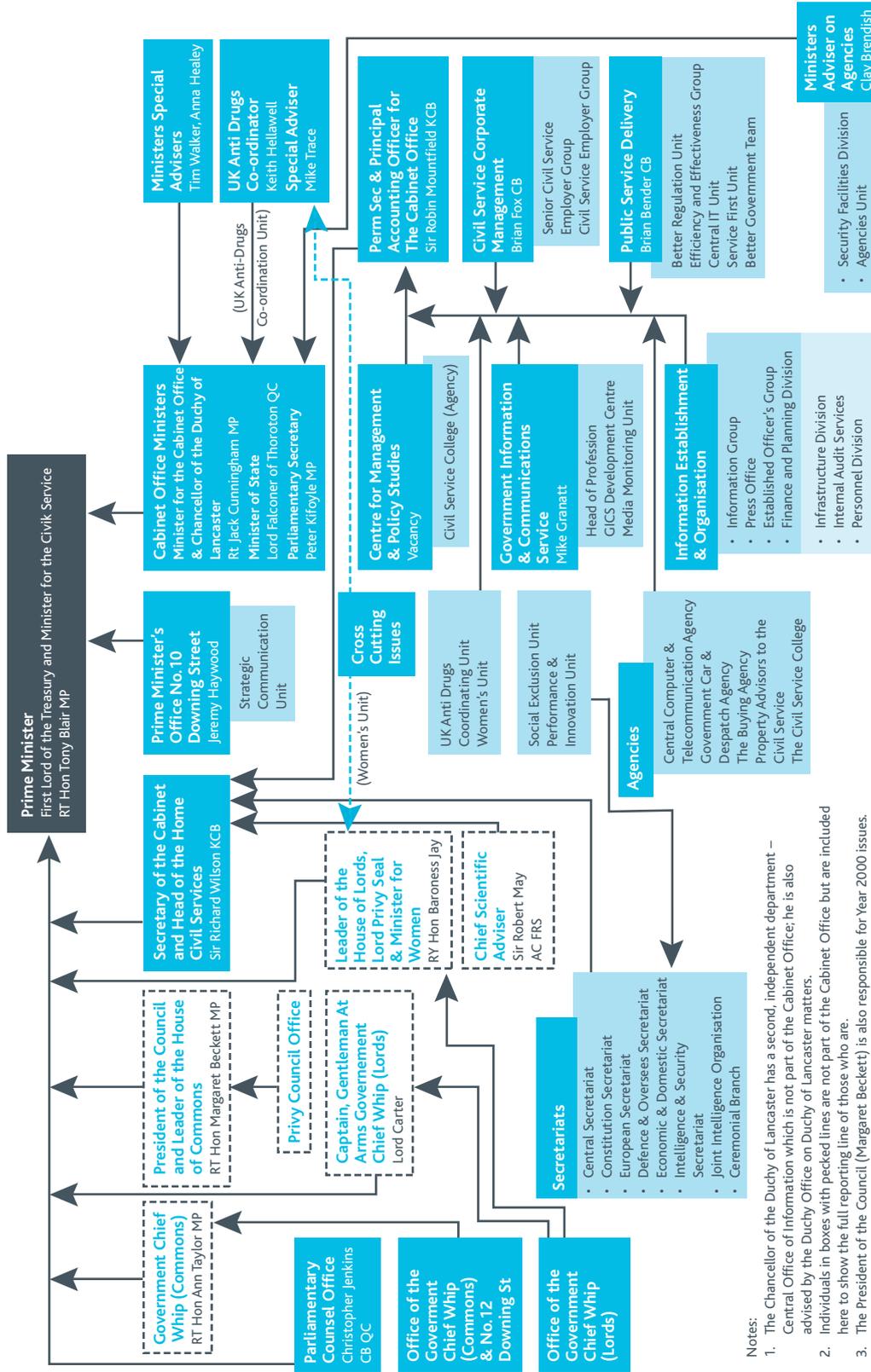
## Appendix 1.1: The Cabinet Office since 1979<sup>173</sup>

Figure A1: The centre in 1979



Source: Lee et al (1998), *At the Centre of Whitehall*

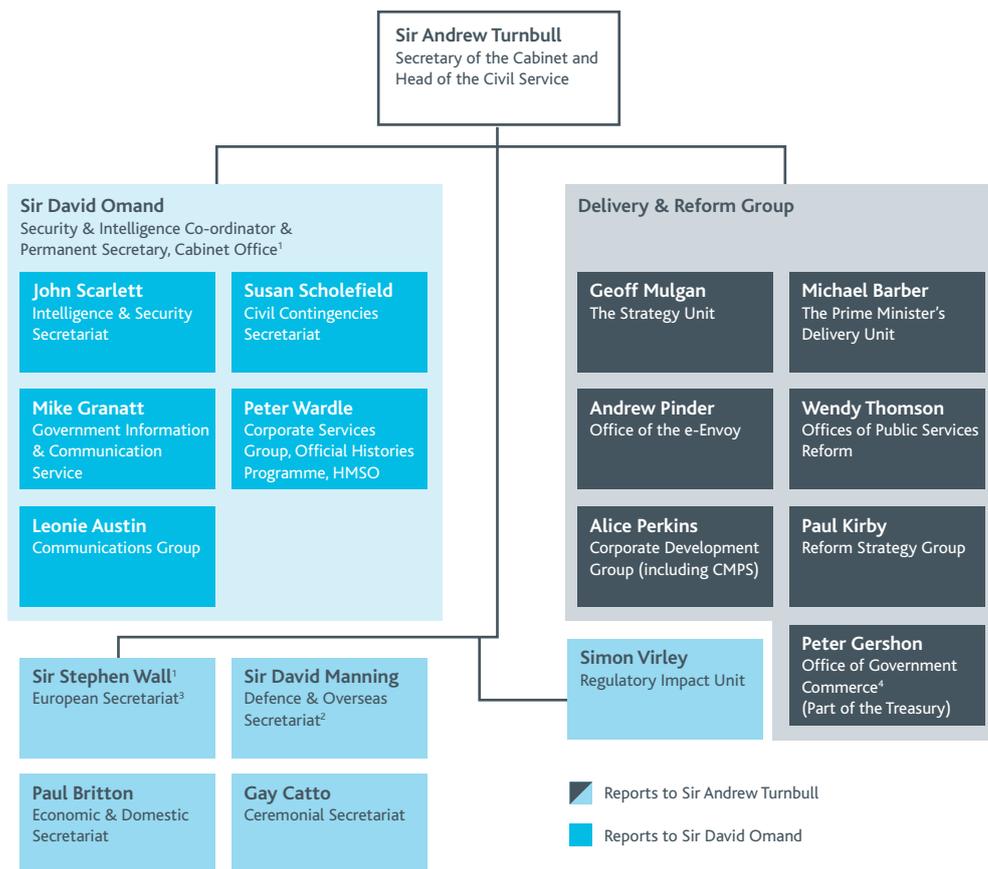
Figure A2: The policy centre in 1999



- Notes:
1. The Chancellor of the Duchy of Lancaster has a second, independent department – Central Office of Information which is not part of the Cabinet Office; he is also advised by the Duchy Office on Duchy of Lancaster matters.
  2. Individuals in boxes with pecked lines are not part of the Cabinet Office but are included here to show the full reporting line of those who are.
  3. The President of the Council (Margaret Beckett) is also responsible for Year 2000 issues.

Source: Lee et al (1998) At the Centre of Whitehall

Figure A3: The delivery centre in 2003



Notes:

1. Sir David Omand is the Accounting Officer for the Cabinet Office and the Single Intelligence Account.
2. The Head of the Defence & Overseas Secretariat, Sir David Manning, is the Prime Minister's Foreign Policy Adviser.
3. The Head of the European Secretariat, Sir Stephen Wall, is the Prime Minister's European Adviser.
4. The Office of Government Commerce is part of the Treasury.

Source: Adapted from House of Commons Library (2005), *The Centre of Government*

## Appendix 2.1: Board composition

Academic research on private sector boards is conflicted over the effects of board composition on organisational performance. Effective group literature maintains that working groups should be staffed by the smallest number of people possible.<sup>174</sup> Research on corporate boards, however, argues that larger boards improve company performance.<sup>175</sup>

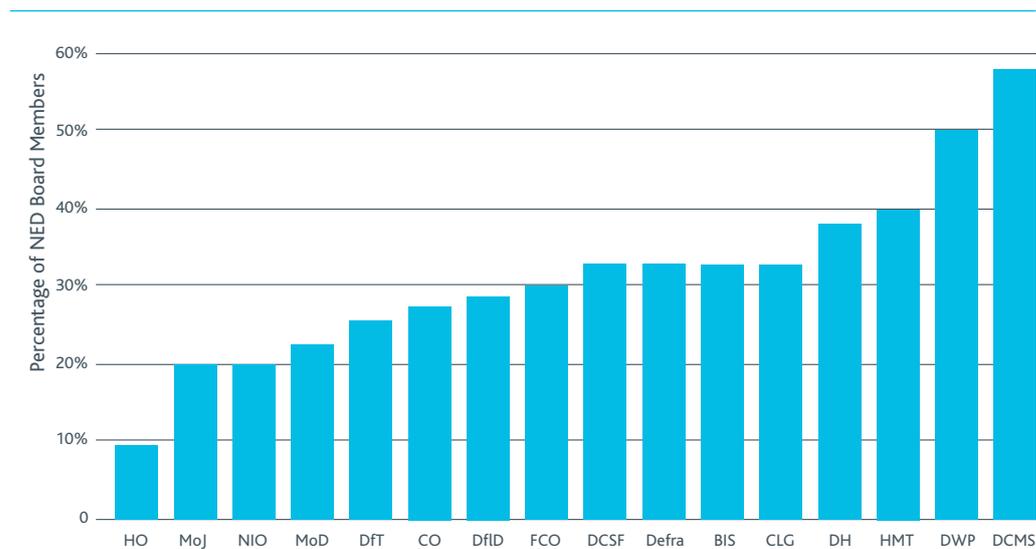
**Figure A4: Departmental board composition**



Source: Departmental websites and [www.dodonline.co.uk](http://www.dodonline.co.uk)

Figures A4 and A5 show the variations in board size and the proportion of non-executive members for each department, respectively. While no central guidance is provided on the absolute number of board members, departments are instructed to have at least two NEDs and encouraged to have more.<sup>176</sup> Board composition has not remained stagnant across Whitehall. The Department of Health recently restructured its departmental board, trimming the number of members from 14 to six. We did not find a relationship between board size and performance for Whitehall departments.

**Figure A5: Percentage of non-executive directors on board**



Source: IfG interviews of directors general and departmental websites

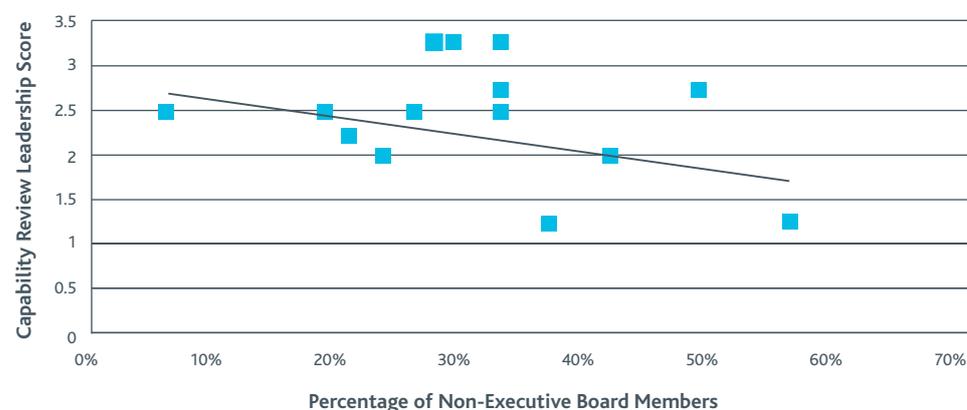
174 Goodman et al (1986), 'Current thinking about groups'

175 Zahra and Stanton (1988), 'The implications of board of directors' composition for corporate strategy and performance'

176 HM Treasury (2005), *Corporate Governance in Central Government Departments*

Prior studies on private sector board composition have tested the relationship between the non-executive/executive ratio and company performance. The majority of work testing this relationship argues that the greater the number of non-executives on a board, the better a company's performance.<sup>177</sup> Having a greater number of independent NEDs creates a more challenging environment for the executive team, thereby demanding higher performance from management. In testing this relationship for Whitehall boards, we found a very weak negative linear relationship, shown in Figure A6. However, it is striking that the highest-performing boards seem to lie in the middle of the graph, with around a third of their members being NEDs. This hints at a non-linear relationship: boards should avoid both too many (over 50%) or too few (less than 25%) NEDs.

**Figure A6: Outsider ratio vs leadership**



Source: IfG interviews of directors general, departmental websites and capability review leadership

## Non-executive directors

Composition is by far the easiest board attribute to measure, and has been used extensively in prior research linking attributes to board performance.<sup>178</sup> Collecting data on characteristics, however, proves more difficult. The most tangible aspect of board characteristics is the background of its members.

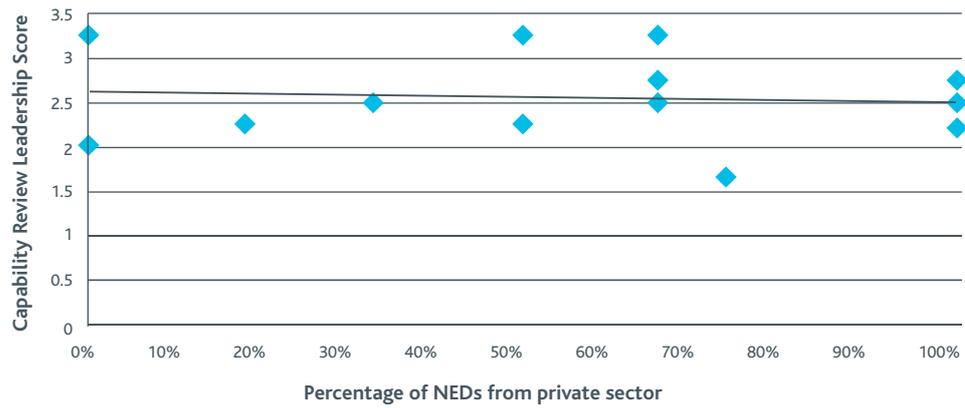
Prior research on private sector boards stresses the need for directors to be adept at dealing with both internal and external contingencies.<sup>179</sup> This requires boards to have an appropriate balance of NEDs – those that can deal well with internal issues (control functions), and those with a network to deal with external ones (service functions) (see Figure A7).

<sup>177</sup> Wagner et al (1998), 'Board composition and organizational performance'

<sup>178</sup> See Baysinger and Butler (1985), 'Corporate governance and the board of directors'; Daily and Dalton (1992), 'The relationship between governance structure and corporate performance in entrepreneurial firms'; Dalton and Kesner (1987), 'Composition and CEO duality in boards of directors'; Pearce and Zahra (1992), 'Board composition from a strategic contingency perspective'

<sup>179</sup> Provan (1980), 'Board power and organizational effectiveness among human service agencies'

**Figure A7: Percentage of NEDs from private sector and leadership**

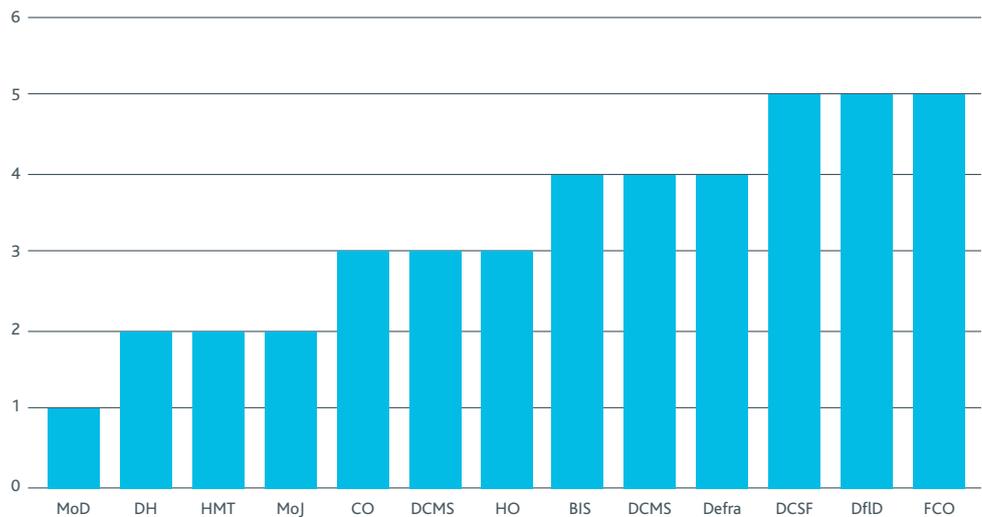


Source: IFG interviews of directors general, departmental websites and capability review leadership

### Committee structure

As mentioned above, the Treasury’s 2005 guidance on boards relies on the weakly enforced ‘comply or explain principle’ – allowing departments to structure their boards as they please. Instructions on subcommittee structures are correspondingly flexible, with one notable exception. Each board is required to have an audit committee, chaired by a financially qualified, independent non-executive.<sup>180</sup> This requirement was designed to ensure boards paid due diligence to the risk management functions outlined in the Treasury guidance. However, even the strictest of directives from the Treasury guidance document are not universally adhered to, with one large department failing to meet the audit committee chair standard. Figure A8 gives the number of board subcommittees for major central departments.

**Figure A8: Number of board subcommittees**



Source: IFG interviews of directors general and departmental websites

180 HM Treasury (2005), *Corporate Governance in Central Government Departments*

Our research found no relationships between board performance and the number of committees. Unfortunately, it was outside the scope of this research to probe further into subcommittee structure and performance in departments. Suffice to say, the effectiveness of subcommittees far outweighs their number.

## Appendix 2.2: Categories for the coding of departmental board minutes

1. **Governance structure/procedure** – item discussing the governance arrangements of the department or the board itself
2. **Departmental corporate service** – mostly pertaining to IT, shared services or change in departmental processes
3. **Strategy** – long-term departmental strategy, does not pertain to short-term policy
4. **Risk** – covers risks to the delivery of policy, corporate service risks, political risks and general financial risk
5. **Business plan** – pertains to the approval of the departmental business plan
6. **Finance report** – monthly or quarterly financial report from FD
7. **Performance management** – reporting/discussion on delivery of PSAs, DSOs, policy programmes, change programmes and/or corporate services performance; this also covers updates on the progress of implementation of programmes and projects
8. **Capability reviews** – covers meetings with Cabinet Office capability review teams, discussion of capability review response action plans, progress against capability review action plans, and stock-takes following capability reviews
9. **Internal communications** – discussion of communications strategy or staff survey feedback on board performance/visibility
10. **Stakeholder management** – includes items pertaining to the management of stakeholders, including delivery partners, NDPBs, executive agencies, work with other departments, regional and local government
11. **HR and HR planning** – includes items on HR programmes, future HR strategy, health and safety, diversity, talent management and succession planning
12. **Policy** – items covering departmental policy

## Appendix 2.3: Regression analysis

In an effort to build a more comprehensive understanding of how board focus relates to board performance, a series of linear regressions were calculated for the four most frequently occurring agenda item categories: strategy, risk, finance and performance management. For the regression analysis, four separate models were built:

1. The first uses the average leadership score from the second round capability reviews as the dependent variable. The independent variables are the four agenda item categories given above, and the sample included all meetings that took place after the first round capability review. The results of the regression are found in Model 1 (Figure A9).
2. The second regression uses the same independent variables and the same sample, but the dependent variable uses 2008 staff survey results; specifically, it is the percentage of staff agreeing that their 'department as a whole is well run'. The results of the regression are found in Model 2 (Figure A10).
3. The third regression uses the average leadership score from the first round capability review as the dependent variable. The independent variables are the same as above. However, the sample includes data for only those meetings that occurred before the first round capability review, within the years 2005–07. As a result, the number of observations for each department will depend on the date their capability review was published. The results of the regression are found in Model 3 (Figure A11).
4. The fourth regression is the same as the third, but the dependent variable used is the staff survey question from the second regression, but from the year 2007. The results of the regression are found in Model 4 (Figure A12).

There were two reasons for calculating four separate regressions. First, we needed to capture the impact of board focus on performance by looking at both capability review leadership scores and staff survey results. Second, the observation period spanned four years and each department in the sample had undergone two capability reviews over this four-year period. As a result, observations had to be set against the temporally appropriate dependent variable. This division gives a more accurate reflection of the relationship between board focus and performance.

**Figure A9: Model 1**

Model	Unstandardised coefficients		Standardised coefficients	t	Sig.
	B	Std error	Beta		
(Constant)	2.307	0.161		14.289	0.000
Strategy	-0.003	0.003	-0.093	-0.925	0.358
Risk	0.002	0.004	0.064	0.641	0.523
Finance	0.004	0.004	0.121	1.208	0.231
PerformanceM	0.013	0.003	0.483	4.553	0.000

Dependent variable: LScore2ndRound  
 Selecting only cases for which After1stRoundCapRev = YES

### Figure A10: Model 2

Model	Unstandardised coefficients		Standardised coefficients	t	Sig.
	B	Std error	Beta		
(Constant)	44.454	4.938		9.002	0.000
Strategy	-0.242	0.100	-0.260	-2.428	0.018
Risk	-0.076	0.106	-0.076	-0.721	0.473
Finance	-0.155	0.097	-0.169	-1.603	0.113
PerformanceM	0.220	0.082	0.307	2.690	0.009

Dependent variable: Staff12008  
 Selecting only cases for which After1stRoundCapRev = YES

### Figure A11: Model 3

Model	Unstandardised coefficients		Standardised coefficients	t	Sig.
	B	Std error	Beta		
(Constant)	1.694	0.108		15.653	0.000
Strategy	-9.412E-7	0.002	0.000	0.000	1.000
Risk	0.002	0.003	0.061	0.707	0.481
Finance	-0.005	0.003	-0.177	-2.041	0.044
PerformanceM	0.009	0.002	0.423	4.585	0.000

Dependent variable: LScore1stRound  
 Selecting only cases for which After1stRoundCapRev < YES

### Figure A12: Model 4

Model	Unstandardised coefficients		Standardised coefficients	t	Sig.
	B	Std error	Beta		
(Constant)	9.394	5.215		1.802	0.075
Strategy	0.046	0.085	0.058	0.548	0.585
Risk	0.277	0.143	0.177	1.932	0.057
Finance	0.039	0.119	0.031	0.323	0.747
PerformanceM	0.507	0.086	0.629	5.880	0.000

Dependent variable: Staff12007  
 Selecting only cases for which After1stRoundCapRev < YES

## Appendix 2.4: Category codes for board observations

1. Agreeing
2. Disagreeing
3. Giving information
4. Questioning (clarifying points/facts/data)
5. Summarising
6. Challenging
7. Giving opinion
8. Relating experience
9. Criticising
10. Suggesting action
11. Thanking/praising

## Appendix 3.1: History of selected joining-up initiatives

### Ministerial Overlords

From 1951 to 1953 Winston Churchill introduced a system of 'overlord' ministers, drawn from the House of Lords.<sup>181</sup> These ministers were based on the War Cabinet model of having a senior group of ministers between the Prime Minister and departmental ministers to coordinate the activities of government departments.<sup>182</sup>

### Civil Service Department

In 1968 Harold Wilson's government created a Civil Service Department. The new department took over the responsibilities of the Civil Service Commission and responsibility for the Civil Service pay and management divisions of the Treasury. It was abolished in 1981.

### Central Policy Review Staff

In 1971 Edward Heath's government created the Central Policy Review Staff in response to the 1970 publication *Reorganization of Central Government*.<sup>183</sup> Contemporaries dubbed the CPRS a 'US style think tank' as it undertook many in-depth studies of cross-departmental issues, including the *Joint Approach to Social Policies*, which highlighted the need for greater interdepartmental coordination in formulating policies. The CPRS was abolished in 1983 by the Thatcher government.<sup>184</sup>

### Heath and Wilson's 'Super Ministries'

The Heath government created 'super ministries' for the Environment, and for Trade and Industry, which joined the Health and Social Security 'super department' created under Harold Wilson's government. It was hoped that the super ministries would incorporate "programmes that would otherwise have to be made compatible across departmental structures".<sup>185</sup>

### Senior Civil Service

A 1995 review of senior management in the Civil Service led John Major's government to carve out the top tiers of officials in Whitehall into a formally separate Senior Civil Service. The aim was to create a core of elite policy-makers who would think strategically across departmental policy areas.

### Citizen's Charter

The Citizen's Charter was introduced under John Major's government in 1991 and laid out the common principles that citizens could expect from all service delivery departments.<sup>186</sup>

### Central Units

Following the election of Tony Blair's government in 1997 a number of cross-cutting units were created at the centre of government including the Performance and Innovation Unit, and the Social Exclusion Unit. The latter was tasked to "promote joined up polices to combat poverty and deprivation".

181 Kavanagh and Richards (2001), 'Departmentalism and joined up government', p.3

182 Flinders (2002), 'Governance in Whitehall', p.58

183 Kavanagh and Richards (2001), 'Departmentalism and joined up government', p.4

184 Flinders (2002), 'Governance in Whitehall', p.59

185 Peters (1998), *Managing Horizontal Government*, p.32

186 Flinders (2002), 'Governance in Whitehall', p.58

## Comprehensive Spending Review

The Comprehensive Spending Review process, launched in 1998, sets out a three-year spending framework on the basis of cross-government review of spending priorities.

## Civil Service Steering Board

The Civil Service Steering Board was established in 2007 and aims to improve the Civil Service as a whole by ensuring that “the vision, role, direction and priorities of the Civil Service are communicated effectively”.<sup>187</sup> To achieve this, CSSB meetings address among other issues service transformation and funding of cross-government projects.

## Top 200 Group

The Top 200 group was created in March 2006 as a Whitehall-wide network comprising the most senior Civil Service leaders (permanent secretaries and directors general). It meets every six months to “share best practice and find solutions to cross-cutting issues”.<sup>188</sup>

## Cross-cutting PSAs

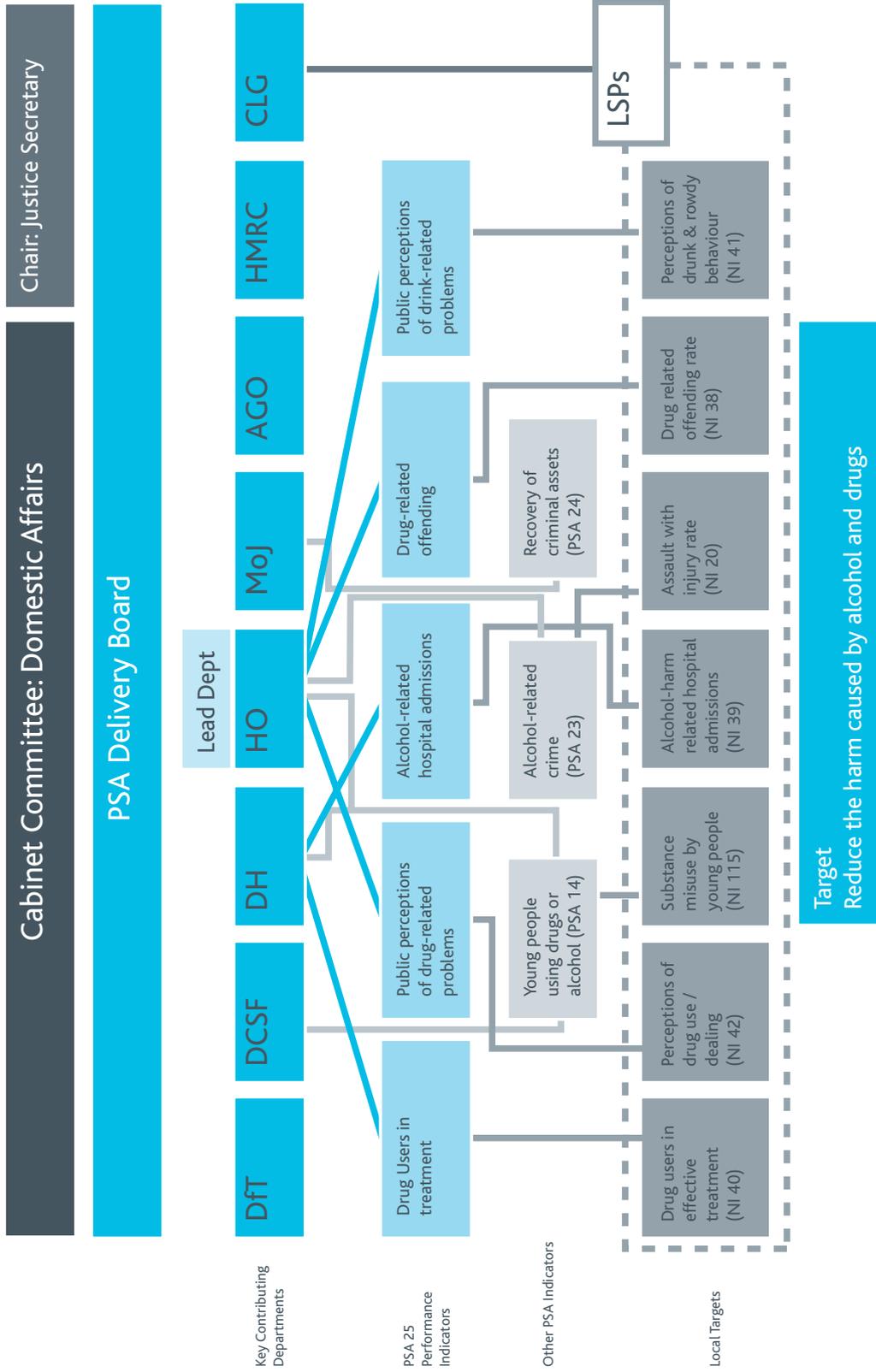
Public Service Agreements set policy and outcome targets for departments as part of the CSR process.<sup>189</sup> Since 2007 all PSAs are formally cross-cutting, meaning they are jointly owned by more than one department.

<sup>187</sup> Civil Service (2009a), ‘The Civil Service Steering Board (CSSB)’

<sup>188</sup> Civil Service (2009b), ‘Top 200’

<sup>189</sup> Mulgan (2005), ‘Joined-up government’, p.182

Figure A 13: Governance of the PSA for drugs and alcohol



Source: IFG interviews  
 Note: Simplified map – doesn't show all contributing departments, agencies or different local and regional bodies.

## Appendix 3.2: Joining-up case study – drug treatment

Drug treatment provides an interesting case study of joined-up government, due to its cross-cutting nature and the range of interventions used in this area.

One specific problem is that drug treatment is a health intervention, so must be delivered within the health service. But the numbers who die or become ill each year from Class A drug addiction are small relative to the numbers whose health is harmed by alcohol, tobacco and diet problems. Thus, the Department of Health has an incentive to deprioritise drug treatment as expenditure will have a greater aggregate health impact for the marginal pound spend. As one interviewee commented:

*Different economists cut it different ways but in the end the amount of health harm would not justify the level of investment.*

However, tackling drug dependency does have a positive societal impact since the overall costs of drug addiction are estimated at £15bn per annum, 90–95% of which is felt in the acquisitive crime rate (which benefits Home Office and MoJ bottom lines, rather than that of DH). Thus, there is a potential problem of undersupply.

The government has recognised this problem and introduced a range of interventions to address it. The first is the governance arrangements around the cross-cutting PSA for drugs and alcohol (see Figure A13). Under the PSA, the DH has responsibility, through locally commissioned services by PCTs, to provide treatment for “high harm causing drug misusing offenders and other drug misusers”.<sup>190</sup> The PSA is supported by local targets to reduce the damage caused by drug misuse.

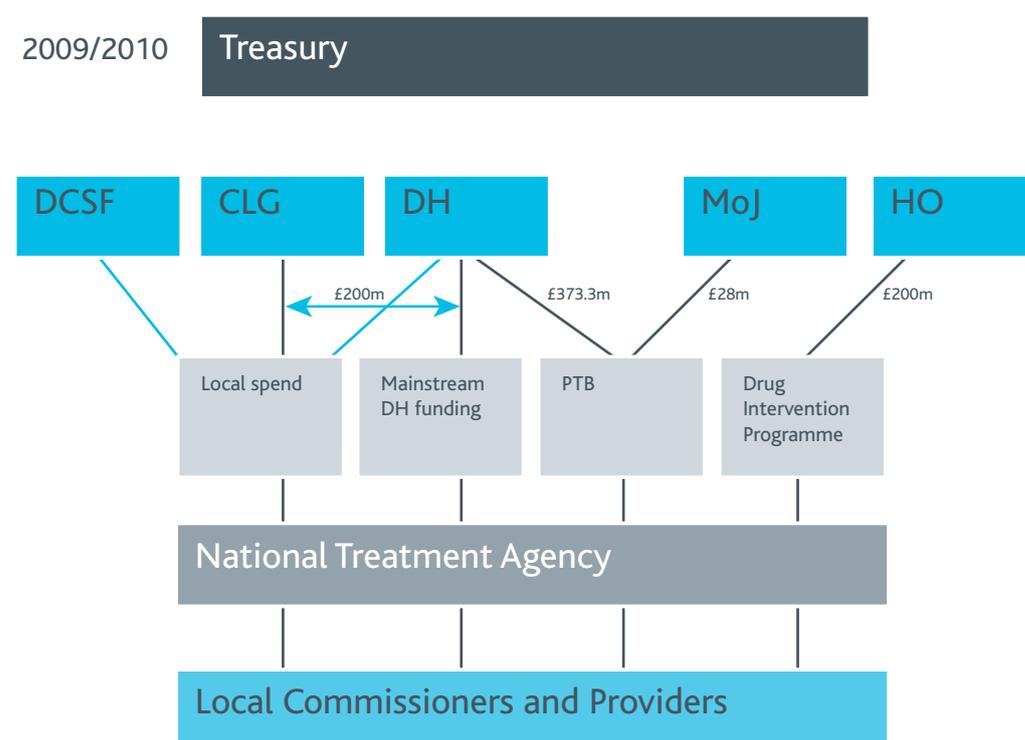
<sup>190</sup> HM Treasury (2009c), *PSA Delivery Agreement 25*, p.12

## Appendix 3.3: Figure A 15: Joint policy units in Whitehall

Joint Unit	Role of Unit	Key depts involved	Staff (approximate)	Home depts of staff	Home depts of Unit Head	Annual admin budget	Total annual programme budget	Budgets with oversight only
Child Poverty Unit	"Taking forward the government's strategy to eradicate child poverty for the long term."	DCSF, DWP, HMT	30	DWP, DCSF, Treasury	DCSF (Grade 5)	£1.7m	No direct control over policy budgets	Influencing policy priorities in other departments
Government Equalities Office	GEO has responsibility within government for equality strategy and legislation and take the lead on issues relating to women, sexual orientation and transgender equality matters.	CLG, ODI, DWP, BIS, DH, OCC	106	GEO	GEO (Director General)	£96m	£69.1m	N/A
Joint Apprenticeships Unit	To support ministers in developing Apprenticeship policy for young people and adults.	DCSF, BIS	15	2 = DCSF and 13 = BIS	BIS (Grade 5)	?	N/A	£1bn
Joint Obesity Unit	To deliver "Healthy weight, Healthy lives: a cross government strategy for England"	DH, DCSF (also works with BIS, DCMS, DfT, CLG, FSA, Defra)	26-28	DH and DCSF	DH (Grade 5)	?	£50m	?
Office for Criminal Justice Reform	"To deliver the National Criminal Justice Board's vision of what the Justice System will look like in 2011."	HO, MoJ, AGO	312	281 = MoJ + 31 secondees	MoJ (Director General)	Total budget: £129.1m (resource), £20.5m (capital)	£11.14m (resource), £10.08m (capital)	?
Office for Disability Issues	"We are the guardians within government of the vision of equality for disabled people by 2025."	DWP, DCSF, DH, BIS, DfT, CLG	64	DWP	DWP (Director)	£5.3m	£3.3m	?
Office for the Third Sector	"Leads work across government to support the environment for a thriving third sector, enabling the sector to campaign for change, deliver public services, promote social enterprise and strengthen communities."	All	55	CO	CO (Director)	£3.5m	£170m	£12bn
Office of Climate Change	"Our role is to support ministers to develop future UK strategy and policy on domestic and international climate change."	DECC, Defra, BIS, FCO, DFID, DfT, CLG	40	DECC + secondees	DECC (Director General)	£2.6m + contribution from OGDs in 2009/10 of £0.6m	No direct control over policy budgets	?
Social Exclusion Task Force	"To extend opportunities enjoyed by the vast majority of people in the UK to those whose lives have been characterised by deprivation and exclusion."	CO, DCSF, MoJ, DH, DWP, CLG, BIS	30	CO	CO (Director)	£1.5m	No direct control over policy budgets	?
Youth Justice Unit	"Develop policy and law in relation to children and young people who offend and are at risk of offending."	MoJ, DCSF, HO	25	Mainly MoJ	MoJ (Grade 5)	£1.364m	£0.562m MoJ, £0.064m NOMS, £0.03m DCSF (Review of Restraint), £0.1m DCSF (Accreditation Board for Review of Restraint)	£0.5bn (YJB funding)

Second, as illustrated in Figure A14, to reinforce the commitment to drug funding, the Pooled Treatment Budget (PTB) pools money from the DH and MoJ budgets to spend on drugs treatment. The PTB is allocated on a per capita basis, usually through PCTs, to local drug treatment commissioners who are responsible to local partnerships of PCTs, local authorities, police and probation services. The idea is that, as the PTB is ringfenced, PCTs will be encouraged to supply drugs programmes even though the benefits fall outside the health realm. However, ringfencing the PTB does not on its own solve the prioritisation problem as ringfencing may encourage existing local spend on drugs treatments to be diverted elsewhere. As one interview told us, a situation could occur where “the pooled treatment budget comes in the front door, the existing [discretionary local] spend goes out the back”.

**Figure A14: Funding Drug Treatment**



Source: IfG interviews

Thus, the third intervention is the National Treatment Agency (NTA), which was also established in 2001 to advocate for the drugs treatment agenda across government and at the local level. At the national level, the NTA has to demonstrate to departments the advantages of a cross-departmental approach to drugs treatment. This involves convincing the criminal justice world of the value of drug treatment programmes over custodial sentences, persuading health workers about the value of working within the criminal justice system, and DCSF to prioritise children affected by drug abuse. Thus, the potential undersupply of drug treatment programmes has been addressed through three key interventions: PSAs, a pooled budget and the creation of the NTA.

### Appendix 3.4: Figure A16: Cross-cutting ministers

Minister	Title	Departments
Lord Drayson	Minister for Science and Innovation	BIS, MoD
Rosie Winterton	Minister for Regional Economic Development and Coordination; Local Government	BIS, CLG
Lord Davies	Minister for Trade, Investment and Small Business	BIS, FCO
Kevin Brennan	Minister for Further Education, Skills, Apprenticeships and Consumer Affairs	BIS, DCSF
Phil Woolas	Minister for Borders and Immigration	HMT, HO
Baroness Taylor	Minister for International Defence and Security	FCO, MoD
Maria Eagle	Minister for Prisons	MoJ, GEO
Lord McKenzie	Parliamentary Under Secretary of State	CLG, DWP
Stephen Timms	Parliamentary Under Secretary of State	HMT, BIS

Source: IfG research

### Appendix 3.5: Figure A17: Lead ministers for particular citizen groups

Minister	Title	Citizen group represented	Department
Angela Eagle	Minister of State for Pensions and the Ageing Society	Elderly people	DWP
Dawn Butler	Minister for Youth Citizens and Youth Engagement	Young People	CO
Dawn Primarolo	Minister of State for Children Young People and Families	Children, Young People and Families	DCSF
Harriet Harman	Minister for Women and Equality (Member of Cabinet)	Women and LGBT people	GEO
Jonathan Shaw	Minister for Disabled People (Parliamentary Under Secretary)	People with disabilities	DWP

Source: IfG research

## Appendix 3.6: Ireland's citizen group ministers

In Ireland there are four ministers of state representing particular citizen groups and holding portfolios that cross departmental boundaries. For example, the Minister for Integration (with responsibility for integrating immigrants into Irish society) has responsibilities within three departments: Justice (the home department), Social and Family Affairs, and Local Government. Such ministers are supported by a dedicated office, which often consists of 'co-located' units of the various departments involved. Some citizen group ministers hold their own budgets. The Minister for Children and Youth Affairs has control over a budget of approximately €600m with which to coordinate expenditure on children and young people.

**Figure A18: Ireland's citizen group ministers**

	Health and Children	Justice, Equality and Law Reform	Education and Science	Enterprise Trade and Employment	Social and Family Affairs	Heritage and Local Govt.	Community, Rural and Gaeltacht Affairs
Office of the Minister for Children and Youth Affairs	Blue shaded	Blue shaded	Blue shaded	Grey shaded	Grey shaded	Grey shaded	Grey shaded
Office for Disability and Mental Health	Blue shaded	Blue shaded	Blue shaded	Blue shaded	Grey shaded	Grey shaded	Grey shaded
Office for Older People	Blue shaded	Grey shaded	Grey shaded	Grey shaded	Blue shaded	Blue shaded	Grey shaded
Office for the Minister of Integration	Grey shaded	Blue shaded	Blue shaded	Grey shaded	Grey shaded	Grey shaded	Blue shaded

Source: IfG research

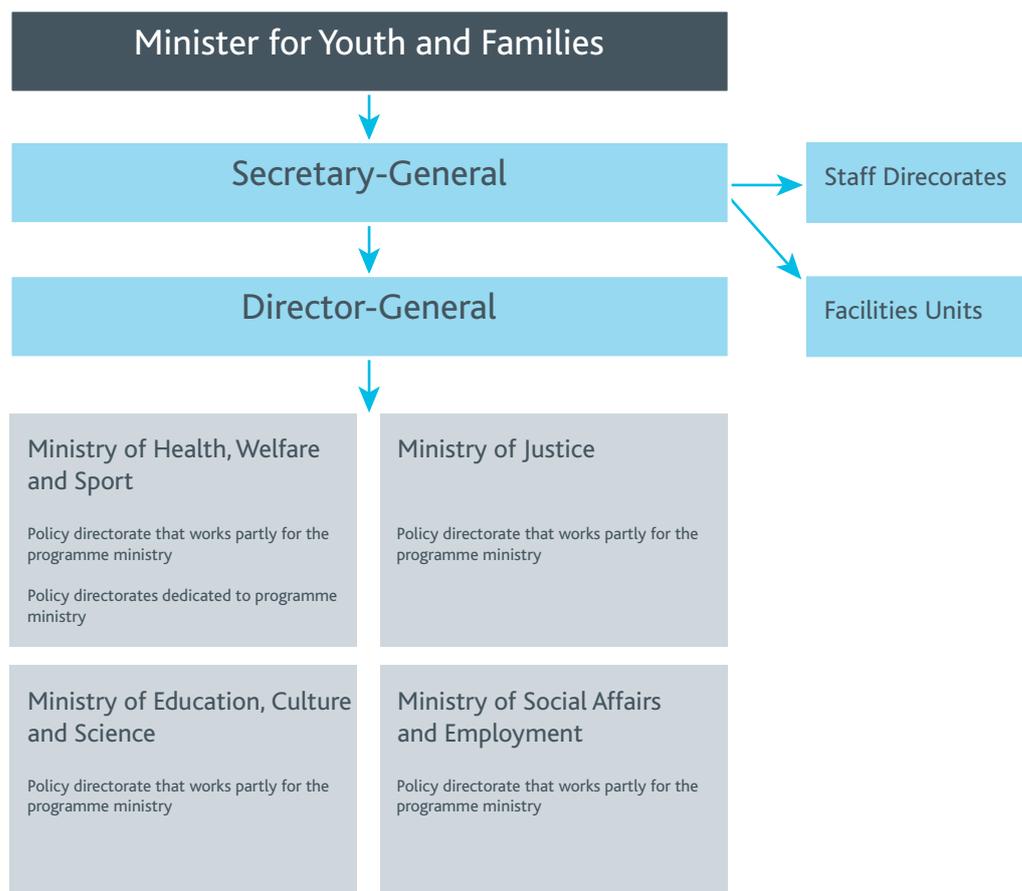
Note: Blue shaded areas indicate the departments from which the cross-cutting ministers draw their staff.

## Appendix 3.7: The Dutch Programme Ministries

In Holland, the Ministry for Youth and Families operates as a 'programme ministry' on a matrix basis. The matrix consists of policy directorates in four departments overseen by the Minister for Youth and Families, who is responsible for coordinating policy between the directorates. The Youth and Families directorate and the Youth Care directorate are located in the Ministry of Health, Welfare and Sport and are fully dedicated to the programme minister for Youth and Families. There are also policy directorates in the Justice, Education and Social Affairs ministries that are still employed by their home ministry but work partly for the programme minister. The heads of directorates in the four departments have weekly staff meetings in order to facilitate joint working and ensure alignment between policy directions.

The programme ministry has a budget of €6.2bn for 2009, which is determined through the annual budget process. Within this ceiling the Minister for Youth and Families allocates resources to specific parts of the programme ministry, and can make reallocations from previous expenditure trends in line with the overall policy objectives laid out at the beginning of the budget cycle.<sup>191</sup>

**Figure A19: The Dutch ministry for youth and families**



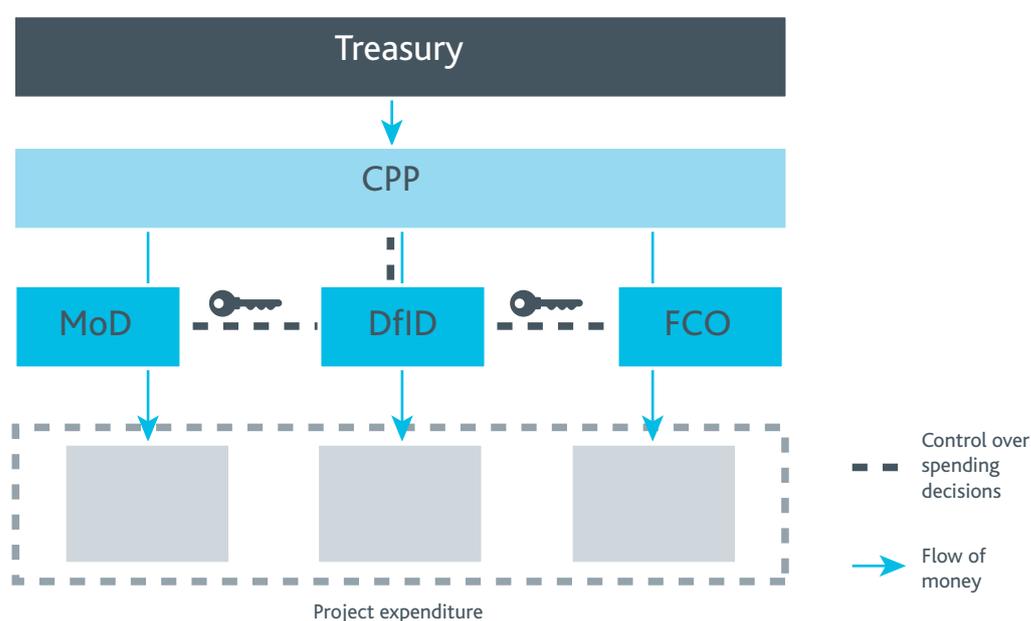
Source: Adapted from Ministry for Youth and Families (2008), *A Special Ministry for Youth and Families*

191 Ljungma (2009), 'Top-down budgeting', p.7

## Appendix 3.8: Conflict Prevention Pool

Since the 2009 budget the Conflict Prevention Pool (CPP) has combined funding for Global Conflict Prevention, African Conflict Prevention and the Stabilisation Fund into a single pot. As illustrated below, the CPP is allocated directly by the Treasury rather than being pooled from departmental budgets. The CPP is administered from within the Department for International Development (DfID) but the funds are controlled via a 'triple key' mechanism with the Foreign and Commonwealth Office (FCO) and Ministry of Defence (MoD), meaning that programmes funded by the CPP require cross-departmental agreement. CPP money is parcelled out to conflict prevention projects across the world controlled by one of the three participating departments. Accountability for all spending therefore flows through one of the three permanent secretaries as accounting officer.

Figure A20: The Conflict prevention pool



Source: IfG research

Two key lessons for any future pooling of funds around cross-government priorities can be learnt from the CPP. The advantage of having a 'triple key' decision-making process is that cross-departmental discussion about the most effective way to prevent conflict is stimulated. As one official told us:

*It has certainly increased the level of cross-Whitehall dialogue and understanding about different departments' conflict objectives; it's put some focus on discussion priorities because the money is jointly managed, so I am sure it has worked in a number of ways to promote joint working.*

However, it may be that this discussion generates competition between government departments seeking to maximise their share of the pool. Another interviewee remarked:

*I think you could say the [CPP is] fairly competitive with departments trying to win resources for their department's priorities.*

Thus, although pooled budgets can stimulate cross-departmental discussion, they may not lead to the development of a shared sense of priorities. Our interviewees also alleged that the transaction costs of the CPP are high for a budget which totalled just £112m in 2008/09, with hundreds of officials involved in allocation decisions in the three departments and 'in the field'. In addition the CPP does not cover all conflict prevention spending, so further coordination is needed to ensure wider consistency in the government policy.

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# List of Acronyms

AGO	Attorney General's Office
AO	Accounting officer
BIS	Department for Business Innovation and Skills
CIO	Chief Information Officer
CLG	Communities and Local Government
CO	Cabinet Office
CPP	Conflict Prevention Pool
CSCG	Civil Service Capability Group
CSR	Comprehensive Spending Review
DCMS	Department for Culture, Media and Sport
DCSF	Department for Children, Schools and Families
DECC	Department for Energy and Climate Change
Defra	Department for Environment, Food and Rural Affairs
DETR	Department of the Environment, Transport and the Regions
DfID	Department for International Development
DfT	Department for Transport
DG	Director General
DH	Department of Health
DIUS	Department for Innovation, Universities and Skills
DPM&C	Department for the Prime Minister and Cabinet (Australia)
DSO	Departmental strategic objective
DWP	Department for Work and Pensions
FCO	Foreign and Commonwealth Office
FD	Finance director

FSA	Food Standards Agency
FSU	Forward Strategy Unit
GCHQ	Government Communications Headquarters
GEO	Government Equalities Office
HMRC	HM Revenue and Customs
HMT	Treasury
HO	Home Office
HR	Human Resources
ICT	Information and communication technologies
IfG	Institute for Government
LGBT	Lesbian Gay Bisexual Transgender
MoD	Ministry of Defence
MoJ	Ministry of Justice
NDPB	Non-departmental public body
NED	Non-executive director
NIO	Northern Ireland Office
NOMS	National Offender Management Service
NTA	National Treatment Agency
OCC	Office of Climate Change
ODI	Office for Disability Issues
OECD	Organisation for Economic Co-operation and Development
OEP	Operational Efficiency Programme
OGC	Office for Government Commerce
OGD	Other government departments
OPSR	Office of Public Service Reform
PCT	Primary Care Trust
PIU	Performance and Innovation Unit
PM	Prime Minister
PMDU	Prime Minister's Delivery Unit
PMSU	Prime Minister's Strategy Unit

PSA	Public service agreement
PTB	Pooled Treatment Budget
SEU	Social Exclusion Unit
SRO	Senior responsible owner
TBS	Treasury Board Secretariat (Canada)
YJB	Youth Justice Board



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